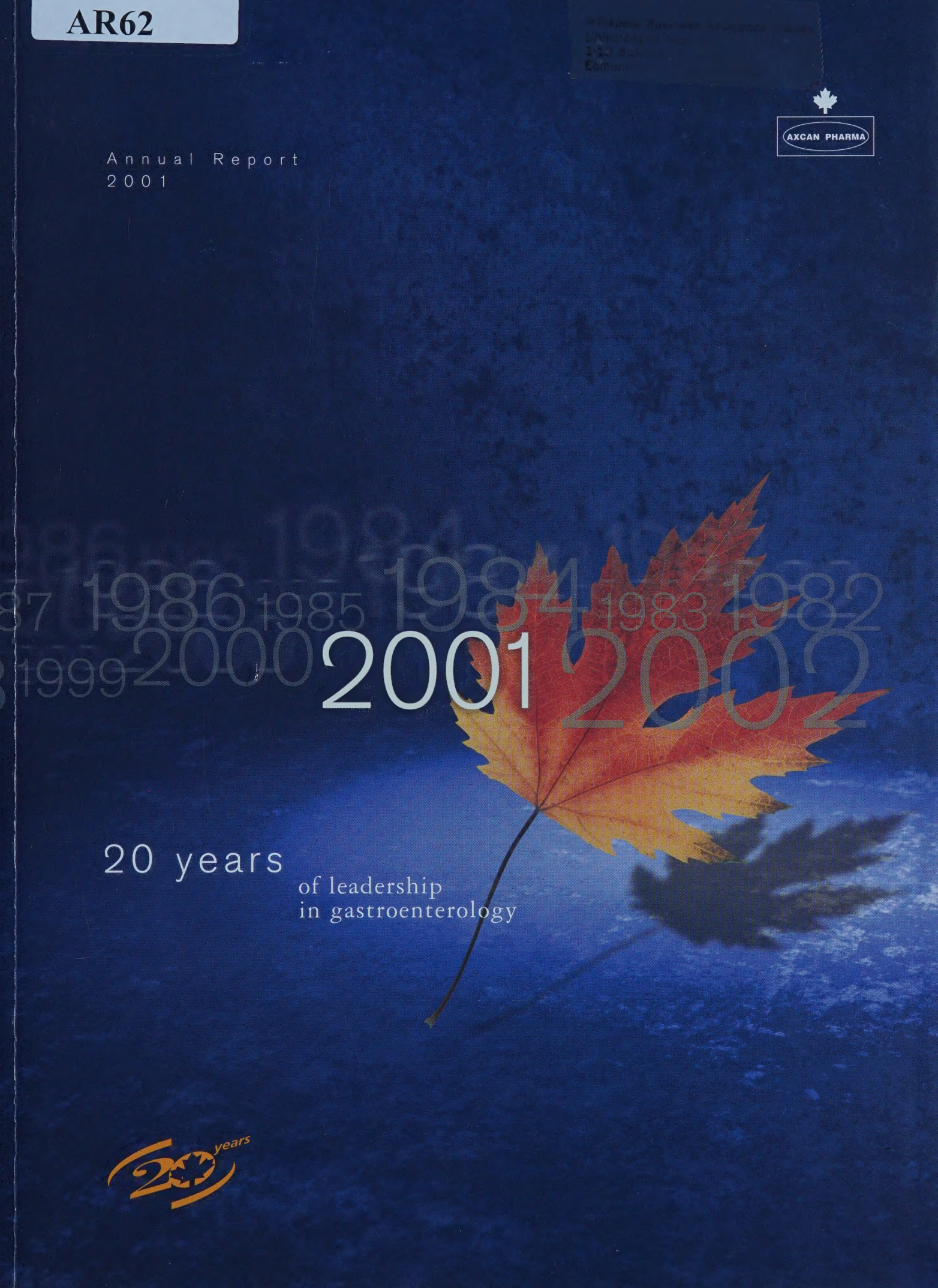
AXCAN PHARMA

Annual Report
2001



20 years

of leadership
in gastroenterology

20 years

Celebrating 20 years of milestones!

1982 Axcan is founded in Mont-Saint-Hilaire, Canada.

1986 Approval and launch of the first Canadian product, SALOFALK.

1987 Initiation of key liver disease clinical trials with ursodiol.

1997 Axcan acquires a number of products including MODULON and LANSOYL and reacquires the rights for URSOFALK, which is renamed URSO 250, in Canada.

Axcan launches a first product in the United States (VIOKASE, acquired from American Home Products) and becomes Scandipharm's Canadian distributor.

URSO 250 is the first of Axcan's drugs approved by the U.S. Food and Drug Administration ("FDA"). At the time, Axcan becomes one of only four Canadian public pharmaceutical companies to have an innovative product approved by the U.S. Health Authorities.

1998 Launch of URSO 250 in the United States.

Forward-looking Statements

This Annual Report contains forward-looking statements with respect to either the Company or certain of its subsidiaries. These forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of the Company and its subsidiaries, may ultimately prove to be incorrect. Factors which could cause actual results or events to differ materially from current expectations are discussed on page 31 of this Annual Report as well as in the Company's Annual Information Form for the year ended September 30, 2001. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

1989

Approval of URSOFALK (now URSO 250), which is out-licensed to Jouveinal Canada.

1995

Axcan completes its initial public offering and lists its shares on the Montreal and Toronto Stock Exchanges (AXP).

1996

Revenue reaches U.S. $10 million.

1999

Axcan acquires Scandipharm Inc., expands into the United States and becomes the first public Canadian pharmaceutical company with its own sales and marketing organization in the United States.

2000

Axcan acquires PHOTOFRIN and enters the growing field of photodynamic therapy.

Axcan lists its common shares on the NASDAQ National Market (AXCA).

2001

CANASA suppositories are approved by the FDA and launched in the United States in April.

Filing of important New Drug Submissions on HELICIDE (*Helicobacter pylori* eradication therapy) in Canada and the United States and PHOTOFRIN (treatment of High Grade Dysplasia associated with Barrett's Esophagus) in Canada.

Revenue exceeds U.S. $100 million.

2002

Acquisition of Laboratoires Entéris S.A.S. in France, which marks the beginning of a new era of growth in Western Europe, the second largest pharmaceutical market in the world.

Axcan enters its 20th year.

Axcan's mission and values are:

Axcan Pharma Inc. ("Axcan" or the "Company") began operation in Canada in 1982. Now a leading specialty pharmaceutical company, Axcan has spent the first 20 years of its existence building a gastroenterology-focused presence in North America and Europe. In this 20-year span, Axcan has grown from a small regional company to an international specialty pharma player with revenue exceeding U.S. $100 million in fiscal 2001. This has been achieved through strategic acquisitions combined with strong new product development activity and marketing expertise.

Axcan's exceptional leadership has gained the confidence of both the medical and financial communities, as well as that of the patients it has supported for the past 20 years. With its strategic plan focused on serving the needs of patients, physicians and research scientists as well as on further expanding its expertise in gastroenterology, Axcan will continue to seize opportunities that will strengthen its worldwide position.

Axcan's mission is to improve the quality of care and treatment of patients suffering from gastrointestinal diseases and related disorders by providing effective therapies, products and specialized programs that meet the needs of these patients and their caregivers.

Compassion: Compassion comes first in all that we do; compassion for the patients we serve, compassion for their caregivers and compassion for our fellow workers.

Service: We are customer-driven. We go to extremes to improve quality of care through exceptional service.

Integrity: We realize that profits are important, but we also believe that integrity comes before profit and all business decisions should be based upon this conviction.

Resourcefulness: We encourage innovation and individual initiatives accepting that changes must occur in order to maximize available resources.

Commitment: We collectively share an unusual commitment to excellence. Our expectation is to be the best we can be in all endeavors through persistence and continuing improvement of skills and efficiencies.

Flexibility: Our market penetration strategies outside North America will vary and take into account local cultures and market dynamics.

Axcan is proud to present
its 6th annual report
marking the Company's 20th anniversary

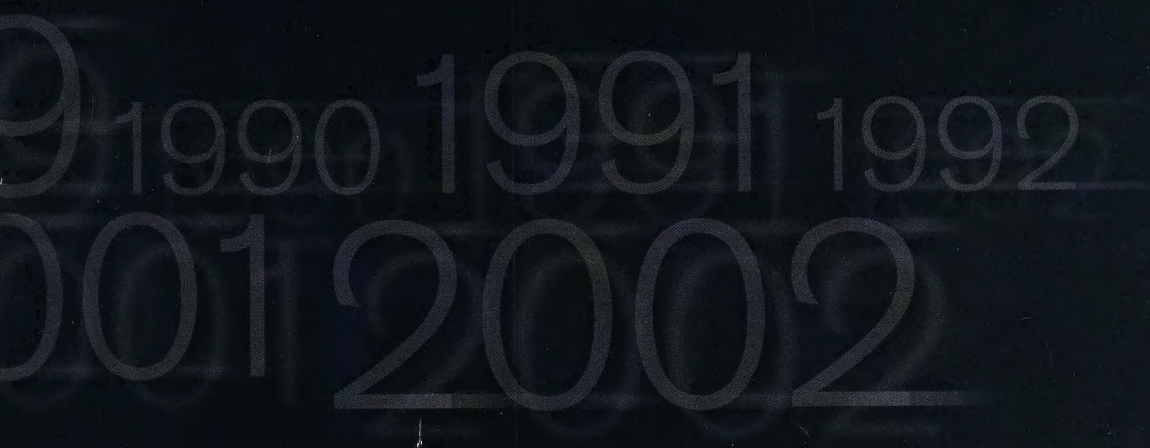


Table of Contents

AXCAN PHARMA

20 years

1982-2002

Twenty years of constant success...

...And the vision continues.

Highlights of the Year

October 2000

Final results of the Phase III North American clinical trial on HELICIDE confirm that it has the potential to be used as first-line therapy for *Helicobacter Pylori* eradication.

November 2000

An interim statistical analysis of the Phase II clinical trial on URSO 250 demonstrates a trend towards efficacy on its use for the prevention of the recurrence of adenomatous colorectal polyps.

January 2001

Acquisition of several patents on a novel formulation of ursodiol combined with sodium bicarbonate, which is purported to significantly increase the absorption of ursodiol. This new patented formulation may result in a better efficacy profile in the treatment of primary biliary cirrhosis, as well as several other liver diseases such as primary sclerosing cholangitis.

Approval by the FDA of CANASA 500 mg mesalamine (5-ASA) rectal suppositories for the treatment of active ulcerative proctitis, followed by the U.S. launch in April, 2001.

May 2001

Launch of PHOTOFRIN in the United Kingdom for the palliation of esophageal and late-stage lung cancers.

Completion of a U.S. $33.2-million equity offering, the proceeds of which are used to eliminate all of the Company's long-term debt.

July 2001

Filing of a Supplemental New Drug Submission (SNDS) for PHOTOFRIN with the Therapeutic Products Directorate of Health Canada for the treatment of High Grade Dysplasia associated with Barrett's Esophagus. Health Canada grants Priority Review status for this SNDS, thus significantly reducing the usual review period.

September 2001

Filing of a New Drug Submission and a New Drug Application for HELICIDE, a patented single-capsule triple therapy for the eradication of *Helicobacter pylori*, in both Canada and the United States.

October 2001

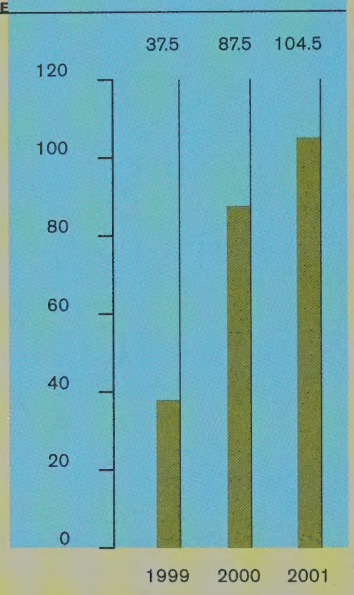
Launch of PHOTOFRIN in France and Germany through local distributors. PHOTOFRIN is also approved in Poland.

Acquisition of Laboratoires Entéris, a private pharmaceutical company specializing in the distribution of gastrointestinal products in France.

Financial and Operating Highlights

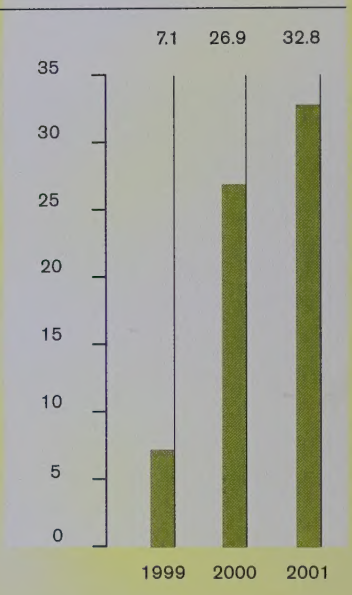
(in U.S. $ million, except per share amounts)

REVENUE



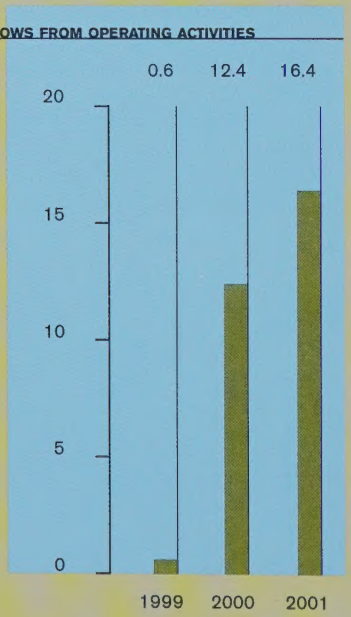
U.S. revenue accounted for 80.1% of overall revenue in 2001.

EBITDA



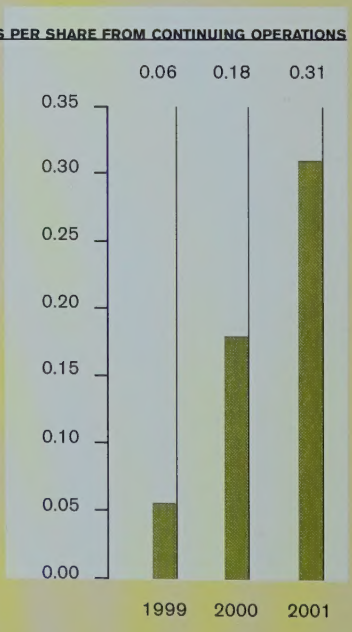
The acquisition of Scandipharm in 1999 enabled the Company to leverage the U.S. sales and marketing infrastructure, which contributed to economies of scale and a substantial increase in EBITDA.

CASH FLOWS FROM OPERATING ACTIVITIES



Cash flows from operating activities have increased 32% between 2000 and 2001.

EARNINGS PER SHARE FROM CONTINUING OPERATIONS



Earnings per share from continuing operations have increased 72% between 2000 and 2001.

	2001	2000	Change
	$	$	%
FINANCIAL *(in U.S. $ million, except per share amounts)*			
Revenue	104.5	87.5	19.4
EBITDA	32.8	26.9	21.9
Earnings from continuing operations	11.5	4.9	134.7
Earnings per share from continuing operations	0.31	0.18	72.2
Cash flows from operating activities	16.4	12.4	32.3
Cash flows from operating activities per share	0.46	0.47	(2.1)
Total long-term debt	0.2	47.3	(99.6)
Shareholders' equity	205.1	161.7	26.8
Total assets	249.1	254.0	(1.9)
Book value per common share	5.3	4.3	23.3
Shareholder Statistics			
Closing Share Prices September 30			
Toronto Stock Exchange (CDN $)	16.95	16.80	0.9
NASDAQ National Market (U.S. $)	10.70	10.93	(2.1)
Market capitalization			
Toronto Stock Exchange (CDN $ million)	651.1	579.7	12.3
NASDAQ National Market (U.S. $ million)	411.0	377.2	9.0
Average daily trading volumes			
Toronto Stock Exchange	47,800	57,500	(16.9)
NASDAQ National Market	30,696	14,207	116.1
Segmented Revenue *(excluding intersegment sales*)* *(in U.S. $ million)*			
United States	79.3	64.5	23.0
Canada	23.8	23.0	3.5
Europe	1.4	0.0	—

* Sales to companies that are members of the same group, but in a country different from the one in which the selling company is located.

Message to Our Shareholders

As we turn the page on our 2001 fiscal year, we enter into our 20th year as a specialty pharmaceutical company and our 6th as a public company. This year's annual report, therefore, celebrates two decades of leadership for Axcan. Moreover, we proudly underline our milestones by reporting 2001 to be the best year, by far, in our 20-year history. This is the 20th consecutive year that Axcan surpasses the previous years' records on virtually every front: sales, development pipeline, cash flows, earnings and customer base.

It is not by accident that Axcan is a leading company in gastroenterology. All of our success is a direct result of the business and operating strategies we developed 20 years ago and continue to follow today. Our achievement is the outcome of 20 years of hard work, careful planning and bold strategic moves. It is also a reflection of the extent to which our employees espouse the values of the Company and have dedicated their efforts to patients all over the world who suffer from gastrointestinal illnesses and conditions.

Léon F. Gosselin, Chairman, President and Chief Executive Officer

A major part of our success is due to our decision to concentrate strictly on the therapeutic area where we excel: gastroenterology. In fact, the increasingly competitive environment in which the pharmaceutical industry evolves today has proven to be an asset for Axcan. Our size gives us an advantage over larger, less focused companies. Indeed, by proceeding with our established business plan and operating strategies, we can easily contemplate that Axcan has the potential to double in size over the next few years.

It is important to note that our growth will be based on increased profitability and an enlarged international presence. We are committed to becoming the world's leading pharmaceutical company totally dedicated to gastroenterology.

With our 20 years of operation, we have established a solid track record, with excellent performance year after year, and a proven strategy. With the wealth of experience and accumulated success we now have, Axcan is well positioned to pursue its expansion and deliver continued rewards to its shareholders.

In the years to come, we intend to seek more opportunities that will allow us to add to our current sales and marketing activities, both in North America and Europe, while at the same time remaining focused on gastroenterology. This may be achieved through acquisitions of more products or companies or through strategic alliances.

The past 20 years of growth and success have paved the way to a very exciting future. I am confident we have the talent, as well as the formula to bring our Company to the next level.

Development pipeline

Our scientific affairs team is responsible for developing and bringing new products and compounds to market, thereby ensuring continued mid- and long-term growth. The past year was very productive in this regard. There was the approval of a second product in the United States, CANASA, along with the in-licensing of new ursodiol compounds and then the filing of new drug submissions/applications for two products, PHOTOFRIN in Canada and HELICIDE in both Canada and the United States.

Our research collaborations lead us to believe there are expanded opportunities for new indications with our existing products. Consequently, we have decided to invest in the development of new indications and formulations of existing products.

We recently entered into a licensing agreement granting Axcan exclusive, worldwide rights to a series of sulfated ursodiol compound derivatives which are new chemical entities that may constitute a significant improvement over URSO 250 in the prevention of the recurrence of colorectal adenomatous polyps. Axcan has also acquired patents relating to a bicarbonate formulation of ursodiol, which may enhance the absorption of ursodiol by as much as 40%. Successful development of this new compound could lead to Axcan marketing, in North America, patented formulations for the treatment of cholestatic and non-cholestatic liver diseases. We also intend to initiate a pharmacokinetic study, on a new controlled release, single daily dosage formulation of MODULON for the treatment of pain-predominant irritable bowel syndrome. Upon completion of the study, we will evaluate the profile of this new formulation and possibly begin preparation for Phase II clinical studies.

We also plan to initiate Phase II clinical studies (in the second half of fiscal 2002) assessing the use of PHOTOFRIN for the treatment of early stage esophageal carcinoma, a condition that affects approximately 13,000 people in North America every year.

Last, we intend to continue to leverage our experience and expertise in obtaining regulatory approval for our product candidates. Since 1991, we have obtained regulatory approval for several products such as SALOFALK, CANASA and URSO 250. We recently submitted, in Canada and the United States, HELICIDE, a patented bismuth-based single-capsule triple therapy to be used for the eradication of *Helicobacter pylori*. We also recently filed PHOTOFRIN, for the treatment of High Grade Dysplasia associated with Barrett's Esophagus, in Canada. Our goal for 2002 is to file for similar submissions in both the United States and Europe

We remain committed to the continued development of new therapies for gastrointestinal diseases and disorders and we are convinced that our scientific affairs team is more than equal to this task.

Acquisitions

Axcan evaluates potential acquisitions of companies, products and technologies on a continuing basis. The combination of our strong sales and marketing teams, our development expertise and our focus on the field of gastroenterology provides us with acquisition opportunities that are not available to other pharmaceutical companies of similar size. Axcan is an attractive partner for pharmaceutical companies that have strong research and development capabilities but are without an established sales and marketing structure or who have products approved outside of North America and are seeking to develop and market them in North America.

Since 1997, we have licensed or acquired 12 products or companies, including ULTRASE, PHOTOFRIN and VIOKASE as well as Axcan Scandipharm. We are now expanding into the Western European pharmaceutical market, the second largest in the world.

In keeping with this Western European acquisition strategy, the year's highlight, shortly after the end of fiscal 2001, was the acquisition of Laboratoires Entéris which is located in France. Entéris is active in the marketing of gastroenterology prescription products. This acquisition will not only allow us to create a platform and an operating base in Western Europe but will also generate more acquisition opportunities in that part of the world.

Financial Accomplishments

Fiscal 2001 was unquestionably our best year. We close this 20-year period with record results, both for commercial operations and scientific development, and with the same dedication that has characterized Axcan in the past. Backed by significantly increased human resources and armed with a strong financial base, we are moving forward to meet exciting new challenges for the future.

The key financial highlights for the year include:

- Revenue from all operations is up 19% to $104.5 million versus $87.5 million in fiscal 2000, the 20th consecutive year revenue has increased.
- EBITDA increased 22% to $32.8 million from $26.9 million last year.
- Earnings per share from continuing operations are up 72% to $0.31, versus $0.18 in 2000.
- Cash flows from operating activities increased by 32% this past year, to $16.4 million.

In the years to come, Axcan intends to maintain a strong balance sheet in order to ensure that it remains poised to take advantage of new opportunities. At the end of fiscal 2001, long-term debt was negligible and the acquisition of Entéris was financed from our cash-on-hand and credit facilities.

Finally, a $1,000 investment at the time of our initial public offering, in December 1995, was worth slightly more than $3,000 at our fiscal 2001 high, an increase of 200%. The shareholders who invested in Axcan in our June 2000 issue on the NASDAQ National Market saw the value of their shares almost double in the past few months, outperforming all relevant biotech and pharmaceutical stock indices. We are confident that our value-enhancing strategies will lead to continued strong performance in the years ahead. Indeed, the ultimate measure of our success is the delivery of increased value to our shareholders, which we commit to continue to deliver in the future.

ACKNOWLEDGMENTS

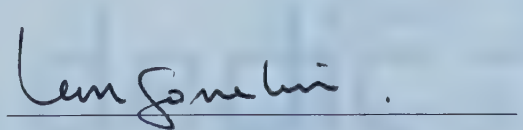
I cannot conclude this message without expressing my personal appreciation to our employees, who have contributed to the extraordinary results you see in this report. Our performance over the year is a monument to the capabilities, energy, determination and dedication that exist throughout the Company.

Compassion and commitment continue to be important core values at Axcan, yielding a wide range of benefits to patients and physicians. Our employees subscribe to these values and have contributed significantly to our goal of improving the quality of life for patients suffering from gastrointestinal diseases and disorders. We want to celebrate our 20th anniversary by formally saying "Thank You" to each and every member of our staff.

As a strong team, we have proven that we are well positioned to move Axcan forward for another 20 years of success. We face an exciting future as we realize our vision to become the world's leading pharmaceutical company in the field of gastroenterology.

I would also like to acknowledge that the successes achieved during these past 20 years would not have been possible without the encouragement of our loyal customers and the gastroenterology community around the world. Their constant support and growing recognition provide strong motivation to maintain leading-edge services and promote the development of new products to help those who need them to live a better life.

Finally, I would like to extend a special word of appreciation to our Board of Directors and shareholders for their continued support and confidence in our Company and its future.



Léon F. Gosselin
Chairman, President and Chief Executive Officer

Cystic Fibrosis

Cystic Fibrosis

Cystic fibrosis is a congenital disease characterized by excessive secretions of certain glands, causing pancreatic insufficiency and pulmonary disorders. Mucus blocks the pancreatic ducts, which normally secrete the digestive enzymes that allow food to be digested in the small intestine. In order to aid digestion, patients need pancreatic enzyme supplements, specifically-formulated multi-vitamin supplements, and a hyper-caloric formula that may help weight maintenance. The average lifespan of cystic fibrosis patients is approximately 32 years.

ULTRASE
(enteric-coated minitablets)

Pancreatic enzymes for the treatment of partial or complete exocrine pancreatic insufficiency.

VIOKASE
(powder)

Pancreatic enzymes for the treatment of partial or complete exocrine pancreatic insufficiency.

SCANDISHAKE
(powder)

High-energy caloric supplement that help cystic fibrosis patients gain and maintain their weight.

SCANDICAL
(powder)

High-energy caloric supplement that help cystic fibrosis patients gain and maintain their weight.

FLUTTER
(device)

Improvement of pulmonary ventilation and expectoration of mucus.

ULTRASE

" My step-daughter Gina has cystic fibrosis. When she moved here from Colombia she was only two and she was not doing well. Since she's been here, she's been taking ULTRASE. It is the only drug that helps her to digest her food. While she still has ups and downs with CF, ULTRASE helps her to live a comfortable life."

Joel Aronson for his step-daughter
Gina Alejandra Ruiz (7 years old)
Wharton, New Jersey
(Opposite picture)

SCANDISHAKE

" Ever since I can remember, I've been taking SCANDISHAKE every day in the morning and I love the vanilla, it's my favorite. In the summer my CF friends and I get together at Wolf Creek in Utah and for a week, we camp, swim and drink SCANDISHAKE. We have a lot of fun."

Heather Ewell (17 years old)
Papillion, Nebraska

" Heather was diagnosed with cystic fibrosis when she was four months old and it has been a constant struggle for her to put on weight. She's been drinking SCANDISHAKE since she was seven years old and it helped her to gain weight. She's always liked the taste – although she used to prefer the chocolate, now she likes the vanilla better. "

Dana Ewell - Her mom
Papillion, Nebraska

Cholestatic Liver Diseases

Cholestatic Liver Diseases

Cholestatic liver diseases are conditions in which the bile flow from the liver is impaired. Such conditions known under this category include primary biliary cirrhosis, primary sclerosing cholangitis and many others.

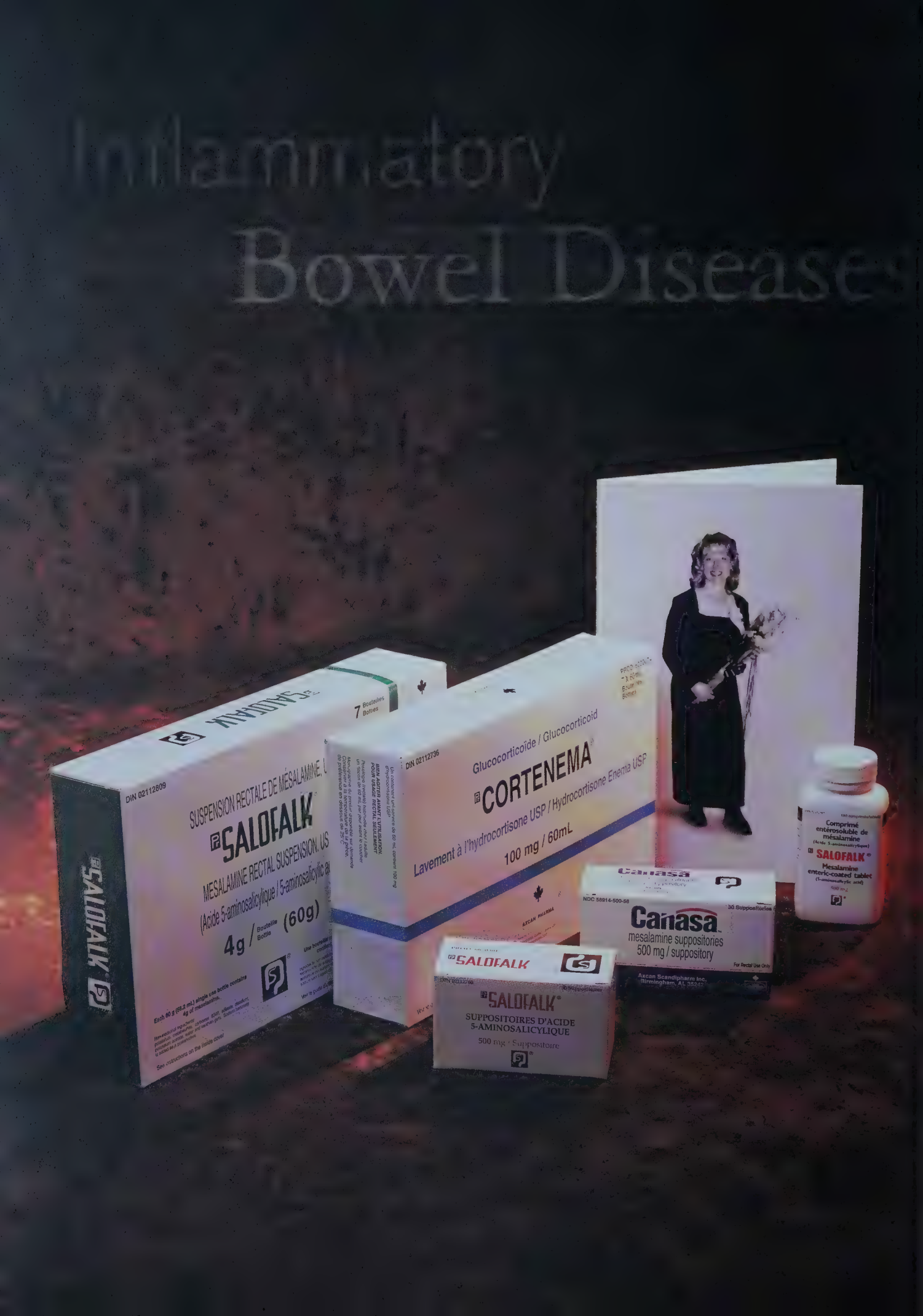
URSO 250
(tablets)

Treatment of cholestatic liver diseases (Canada) and primary biliary cirrhosis (United States).

URSO 250

"From the time of diagnosis of my PBC (primary biliary cirrhosis), I have been taking URSO 250. This has normalized my liver functioning and I suspect curtailed the progression of the disease. This mirrors the experience of many of the members of the PBC Patient Support Network."

Beverley Ritcey
Toronto, Ontario


Inflammatory
Bowel Disease
DIN 02112809
SUSPENSION RECTALE DE MÉSALAMINE
SALOFALK
MESALAMINE RECTAL SUSPENSION, US
4g / Bouteille Bottle (60g)
7 Bouteilles Bottles
DIN 02112736
Glucocorticoïde / Glucocorticoid
CORTENEMA
Lavement à l'hydrocortisone USP / Hydrocortisone Enema USP
100 mg / 60mL
AXCAN PHARMA
Canasa
NDC 58914-500-58
mesalamine suppositories
500 mg / suppository
For Rectal Use Only
Axcan Scandipharm Inc.
Birmingham, AL 35242
SALOFALK
SUPPOSITOIRES D'ACIDE
5-AMINOSALICYLIQUE
500 mg / Suppositoire
Comprimé entérosoluble de mésalamine
SALOFALK
Mesalamine enteric-coated tablet

Inflammatory Bowel Diseases

Inflammatory Bowel Diseases (IBD) are chronic diseases of unknown cause characterized by inflammation of portions of the gastrointestinal tract. Ulcerative Colitis and Crohn's Disease constitute the group of illnesses referred to as IBD. The course of IBD is a succession of acute attacks followed by periods of remission. There is no cure for IBD, and the goals of therapy are to achieve and maintain remission of the inflammatory process, thereby reducing symptoms.

SALOFALK
(suppositories, tablets and enemas)

Treatment of inflammatory bowel disease.

CANASA
(suppositories)

Treatment of active ulcerative proctitis (a distal form of ulcerative colitis).

CORTENEMA
(enemas)

Corticosteroid.

SALOFALK

" I was diagnosed with ulcerative colitis 5 years ago and last year I started to take SALOFALK. It's the only thing that really helps. It makes me feel normal again – I'm not tired, I have more energy and I've stopped bleeding. I feel on top of the world. "

Allana Hynes
St. Judes, Deer Lake, Newfoundland

Photodynamic Therapy

Photodynamic Therapy

PHOTOFRIN is a photosensitizing agent used in photodynamic therapy (PDT) and approved for the palliative treatment of different forms of cancer. PDT begins with the injection of PHOTOFRIN into the blood. It is subsequently uptaken and concentrated in the tumour cells for a few days. A special type of non-thermal laser light is then applied to the cancer, inducing chemical reactions which destroy cancerous cells.

PHOTOFRIN

(powder)

Palliative treatment of various forms of cancer.

PHOTOFRIN

" My father had esophageal cancer. In his last year, he was treated with PHOTOFRIN and it worked wonderfully. It prolonged his life and allowed him to eat and function. His name was Hardy Cooper. I firmly believe PHOTOFRIN and photodynamic therapy is one of the best weapons against cancer. "

Steele Cooper
West Palm Beach, Florida

Other Products

Other Products

Axcan also markets other products in Canada for the treatment of gastrointestinal diseases and disorders.

AMPHOJEL
(tablets and suspensions)

Antacid for fast and efficient relief of gastric hyperacidity.

BASALJEL
(tablets)

Treatment of hyperphosphatemia associated with chronic renal failure.

COPTIN
(tablets)

Antibiotic for the treatment of simple urinary tract infections and certain respiratory infections.

ENDOSPRAY
(topical spray)

Mint-flavored topical anesthetic indicated for rapid surface anesthesia of the oropharyngeal and endotracheal areas.

HELISAL ONE STEP
(test)

Rapid detection test for antibodies to *Helicobacter pylori* requiring a single drop of blood.

LANSOŸL
(jelly)

Raspberry-flavored, mineral-oil based laxative jelly.

MODULON
(tablets)

Relief of symptoms in patients with irritable bowel syndrome.

MUCAINE
(tablets and suspensions)

Antacid with local anesthetic treating hyperacidity and heartburn.

VIOKASE
(non enteric-coated capsules)

Pancreatic enzymes for the treatment of partial or complete exocrine pancreatic insufficiency associated with chronic pancreatitis, pancreatectomy.

Research and Development

Axcan's development strategy concentrates on two main areas: extending indications of products already marketed by the Company and developing newly-acquired or in-licensed products and technologies. This strategy allows Axcan to minimize the level of risk associated with new drug development and also to reduce the amount of time typically required to develop and obtain new product approvals.

Product, Indication
MESALAMINE
CANASA 500 mg suppository *(Pediatric study)*
PHOTODYNAMIC THERAPY
PHOTOFRIN (Cancers) *(Canada, U.S., Europe, Japan)*
PHOTOFRIN *(Barrett's Esophagus - Canada)*
PHOTOFRIN *(Barrett's Esophagus - U.S., Europe)*
PHOTOFRIN *(Early stage esophageal carcinoma)*
***HP* ERADICATION**
HELICIDE *(Hp eradication - Canada, U.S.)*
HELICIDE *(Hp eradication - Europe)*
PANCREATIC ENZYMES
ULTRASE *(pancreatic insufficiency)*
VIOKASE *(pancreatic insufficiency)*
URSODIOL
Ursodiol bicarbonate
URSO 250 *(Colorectal polyps)*
URSO 250 *(Non-alcoholic steatohepatitis)*
URSO 250 *(Primary Sclerosing Cholangitis)*
Ursodiol sulfate
TRIMEBUTINE
MODULON SR *(Pain-predominant irritable bowel syndrome)*


Preclinical
Phase I
Phase II
Phase III
Registration
Commercialization
Phase IV

MESALAMINE
CANASA SUPPOSITORIES

Active ulcerative proctitis is a chronic inflammatory disease affecting the inner colonic mucosa of patients. Axcan launched CANASA 500 mg suppositories in the United States in April 2001, after they were approved by the FDA in January 2001, for this indication. In conjunction with this approval, Axcan agreed to perform a clinical trial in children aged 12-18 years with active or quiescent disease, since in many cases, inflammatory bowel disease is also diagnosed at a young age. In long-standing ulcerative proctitis, the major concern is the risk of developing colon cancer, which increases significantly when the disorder begins in childhood. Axcan will initiate a Phase IV clinical trial in the course of fiscal 2002 and should present results of this study in fiscal 2003.

PHOTODYNAMIC THERAPY
PHOTOFRIN PDT

Barrett's Esophagus is a condition resulting from chronic reflux disease (movement of contents of the stomach into the esophagus). Over time, and due to chronic irritation of the lower part of the esophagus, 10 to 20% of patients suffering from reflux develop Barrett's Esophagus. Consequently, the lining of their esophagus changes to become similar to that of the stomach. This area subsequently becomes prone to develop a cancer, especially when there are cell changes identified as "High Grade Dysplasia". Patients with this condition have almost a 50% chance of developing esophageal cancer. There is currently no approved treatment to reverse the condition and decrease the risk of developing cancer. Symptoms can be treated with a variety of acid suppressants, but surgical removal of the esophagus, called an esophagectomy, is currently the only curative treatment for patients with High Grade Dysplasia or Barrett's Esophagus.

Results of a large clinical study conducted by Axcan in 208 patients indicate that biopsy-proven High Grade Dysplasia was eliminated in 72% of patients treated with PHOTOFRIN PDT in conjunction with omeprazole as compared to 31% of patients treated with omeprazole only. In addition, the therapeutic effect was sustained in most patients treated with PHOTOFRIN PDT. Furthermore, only 10% of patients treated with PHOTOFRIN PDT developed esophageal cancer, as compared to 19% of patients of the other group, a 47% incidence reduction. Axcan has filed a Supplemental New Drug Submission in Canada for the use of PHOTOFRIN PDT in the treatment of High Grade Dysplasia associated with Barrett's Esophagus and intends to do the same in the United States and Europe in the first half of 2002.

PHOTOFRIN PDT is already approved in various countries for the palliative treatment of esophageal cancer. Axcan intends to evaluate the efficacy of PHOTOFRIN PDT for the treatment of early stage esophageal carcinoma. The incidence of adenocarcinomas of the esophagus has been rising dramatically since 1970 in both the United States and Europe. This rise is mainly due to Barrett's Esophagus. Roughly 13,000 Americans develop this cancer each year and 12,000 die from it. A Phase II North American clinical trial will be initiated in fiscal 2002, in order to assess the therapeutic value of PHOTOFRIN PDT for early stage esophageal cancer.

HELICOBACTER PYLORI ERADICATION
HELICIDE

Helicobacter pylori is a very common bacterium that infects and colonizes the stomach. In most cases, it causes no problem or symptoms, but it has been proven that this bacterium is related to the development of stomach and duodenal ulcers. It has also recently been linked to gastric cancer.

HELICIDE is Axcan's patented single-capsule triple therapy for the eradication of *Helicobacter pylori*. Axcan completed a Phase III clinical study development program which confirms that HELICIDE has the potential to be used as a first-line therapy for the eradication of *Helicobacter pylori*. Axcan recently filed a New Drug Application with the FDA as well as a New Drug Submission with the Therapeutic Products Directorate of Health Canada for this product. Axcan anticipates approval by the beginning of fiscal 2003. A European submission will be filed in the first half of fiscal 2002.

Pancreatic enzymes
ULTRASE/VIOKASE

Pancreatic enzyme insufficiency is often encountered in cystic fibrosis patients, in people suffering from chronic pancreatitis and in people who have undergone a pancreatectomy. These patients suffer from steatorrhea (excretion of undigested fat in their stool) and frequent bowel movements, which results in a failure to gain weight and grow normally. Indeed, instead of utilizing fats, proteins, and carbohydrates in the diet to carry out vital processes, these people metabolize their own body reserves. For more than 40 years, pancreatic enzymes have been prescribed to palliate this insufficiency, although they were not formally FDA-approved. In anticipation of new regulations from the FDA, Axcan conducted a Phase III clinical trial on the efficacy of ULTRASE and VIOKASE, the products it already markets for this indication. The Company intends to submit the ULTRASE New Drug Application to the FDA in fiscal 2002. A Phase III clinical trial on VIOKASE should be completed in fiscal 2003.

Ursodiol
URSO 250, URSODIOL BICARBONATE AND URSODIOL SULFATE

Axcan's development program for URSO 250 targets the following indications: primary sclerosing cholangitis, non-alcoholic steatohepatitis, and the prevention of the recurrence of colorectal polyps. In addition to conducting Phase II clinical studies with URSO 250, Axcan is currently developing two new patented ursodiol compounds: ursodiol sulfate and ursodiol bicarbonate.

Unlike regular ursodiol, sulfated compounds are not absorbed, escape the enterohepatic circulation and can thus be delivered more reliably and in higher concentrations to the colon, which may constitute a significant improvement over regular ursodiol in the prevention of colorectal adenomatous polyps. During fiscal 2002, it is anticipated that a proof-of-concept study will be conducted in a rat model. If the results of this study are positive, Axcan will initiate clinical trials to pursue the Phase III clinical trial of its colorectal cancer prevention program.

Axcan also acquired certain patents relating to a new bicarbonate formulation of ursodiol. In studies undertaken prior to Axcan's acquisition, ursodiol bicarbonate was shown to enhance absorption of ursodiol by as much as 40%. Axcan is completing the development of an appropriate ursodiol bicarbonate dosage form that should confirm the enhanced ursodiol absorption. In fiscal 2002, the Company plans to initiate a Phase III clinical trial aimed at demonstrating the efficacy of ursodiol bicarbonate in primary biliary cirrhosis.

Trimebutine
MODULON SR

Irritable bowel syndrome is a functional bowel disorder which primarily affects gastrointestinal motility and sensitivity. This chronic, fluctuating disorder can have a significant impact on daily functioning as well as the quality of life. It affects up to one in five North Americans and is the second most common cause of work absenteeism. Axcan is currently marketing MODULON in Canada for this indication and is developing, in collaboration with a partner, a slow release formulation that would allow patients to take their medication once a day instead of three times a day. In fiscal 2002, Axcan will initiate a pharmacokinetic study to assess the profile of this new formulation. If positive, we plan to initiate a Phase II clinical trial.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following analysis explains the variations in results of operations, financial position and cash flows for Axcan Pharma Inc. ("Axcan"). This discussion should be read in conjunction with the information contained in Axcan's consolidated financial statements and the related notes to financial statements. Unless otherwise stated, all data exclude results pertaining to the operations discontinued following the sale of Althin Biopharm Inc. ("Althin Biopharm")'s shares in May 2000, and of Axcan Ltd's shares in May, 1999. All amounts are in U.S. dollars.

Overview

For the year ended September 30, 2001, sales of Axcan's two principal products, ULTRASE and URSO 250, accounted for approximately 26% and 20%, respectively, of Axcan's total revenue. Much of Axcan's recent sales growth is derived from sales in the United States. Revenue from sales of Axcan's products in the United States was $84.6 million for fiscal 2001, compared to $71.5 million for fiscal 2000 and $22.6 million for fiscal 1999. In Canada, revenue was $18.5 million for fiscal 2001, compared to revenue of $16.0 million for fiscal 2000 and $15.0 million for fiscal 1999. Included in United States revenue for fiscal 1999, 2000 and 2001 are $2.3 million, $7.0 million and $14.6 million in sales of mesalamine (5-ASA) suppositories.

For the year ended September 30, 2001, the Company's net earnings increased to $11.5 million or $0.31 per share, compared to $6.7 million or $0.25 per share for the year ended September 30, 2000, and $1.4 million or $0.09 per share for the year ended September 30, 1999. Fiscal 2000 and 1999 results include earnings from discontinued operations of $0.09 and $0.03 per share, respectively.

As at September 30, 2001, the Company's total assets were $249.1 million and shareholders' equity was $205.1 million. The Company's cash and temporary investments amounted to $16.5 million.

Financial Analysis

Revenue

Revenue for the year ended September 30, 2001, reached $104.5 million, an increase of $17.0 million or 19.4% compared to the preceding fiscal year. For fiscal 2000, revenue amounted to $87.5 million compared to $37.5 million for fiscal 1999. These increases are mainly due to the increase of sales in the United States following the acquisitions of Scandipharm Inc. ("Scandipharm"), now known as Axcan Scandipharm Inc. ("Axcan Scandipharm") in August 1999, the other 50% of the Axcan URSO LLC ("Axcan URSO") joint-venture in November 1999 and the product, PHOTOFRIN in June 2000.

Cost of goods sold

Cost of goods sold was $26.5 million for the year ended September 30, 2001, compared to $22.3 million for fiscal 2000 and $9.5 million for fiscal 1999. As a percentage of sales, cost of goods sold was 25.4% for the year ended September 30, 2001, compared to 25.5% for fiscal 2000 and 25.4% for fiscal 1999.

Selling and administrative expenses

Selling and administrative expenses were $39.1 million for the year ended September 30, 2001, compared to $32.1 million for fiscal 2000 and $17.8 million for fiscal 1999. In fiscal 2001, the increase was mainly due to further additions to the field sales force in the United States, to increased marketing efforts following the integration of URSO 250 and VIOKASE in Axcan Scandipharm's product line, as well as marketing expenses related to PHOTOFRIN. The newly launched CANASA 500 mg suppositories in the United States also contributed to increased sales and marketing expenses. The increase in fiscal 2000 was primarily due to the inclusion of the selling and administrative expenses of Axcan Scandipharm following its acquisition.

As a percentage of revenue, selling and administrative expenses were respectively 37%, 37% and 47% in fiscal 2001, 2000 and 1999.

Research and development expenses

Research and development expenses were $6.1 million for the year ended September 30, 2001, compared to $6.2 million for fiscal 2000 and $3.2 million for fiscal 1999. The increase in fiscal 2000 was primarily due to the cost of the pivotal Phase III study of HELICIDE, which began in September 1999. During fiscal 2001, the Company prepared for the filing of New Drug Submissions for the use of PHOTOFRIN for the treatment of High Grade Dysplasia associated with Barrett's Esophagus in Canada, and for the filings of HELICIDE, in both Canada and the United States.

Financial expenses

Financial expenses consist principally of interest and fees paid in connection with money borrowed for acquisitions. Financial expenses were $3.5 million for the year ended September 30, 2001, compared to $9.1 million for fiscal 2000 and $2.8 million for fiscal 1999. The unusually high financial expenses for the year ended September 30, 2000, were primarily attributable to interest expense paid on aggregate loans of approximately $93 million used to acquire Axcan Scandipharm and of approximately $52 million used to acquire the 50% interest of Schwarz Pharma Inc. ("Schwarz") in the Axcan URSO joint-venture. These loans have since been reimbursed.

Depreciation and amortization

Depreciation and amortization was $12.0 million for the year ended September 30, 2001, compared to $10.5 million for fiscal 2000 and $3.0 million for fiscal 1999. In fiscal 2001, the increase resulted primarily from the amortization of the worldwide PHOTOFRIN rights acquired in June 2000. The significant increase in fiscal 2000 primarily resulted from the depreciation and amortization of capital assets and goodwill acquired as part of the acquisitions of Scandipharm and the 50% interest in Axcan URSO.

Income taxes

Income taxes amounted to $6.7 million, $3.4 million and $1.3 million respectively for fiscal 2001, 2000 and 1999. The effective tax rate was 37.0% for fiscal 2001, 40.7% for fiscal 2000 and 57.4% for fiscal 1999.

Earnings

The Company posted earnings from continuing operations of $11.5 million or $0.31 per share for the year ended September 30, 2001, compared with $4.9 million or $0.18 per share for fiscal 2000 and $1.0 million or $0.06 per share for fiscal 1999.

Axcan posted net earnings of $11.5 million, or $0.31 per share, for the year ended September 30, 2001, compared to $6.7 million, or $0.25 per share, for fiscal 2000, and $1.4 million, or $0.09 per share for fiscal 1999. Earnings from discontinued operations for the year ended September 30, 2000 of $1.8 million, or $0.07 per share, following the sale of Axcan's share in Althin Biopharm include a net gain on disposal of assets of $1.44 million.

Standards applicable for fiscal 2002

In 2001, the Canadian Institute of Chartered Accountants approved new standards, similar to the U.S. FASB 141 and 142, modifying the method of accounting for business combinations entered into after June 30, 2001, and addressing accounting for goodwill and other intangible assets. The new standards on goodwill and other intangible assets should be applied for fiscal years beginning on or after January 1, 2002. The Company has elected to adopt these standards early and anticipates that beginning October 1, 2001, it will no longer amortize its goodwill and trademarks with an indefinite life, but will however, evaluate goodwill and trademarks with indefinite life for impairment on an annual basis. Axcan anticipates the effect of this implementation to be a reduction of depreciation and amortization expense of approximately $6.4 million for fiscal 2002. Assuming there is no impairment, next year's net earnings should increase by $3.0 to $3.5 million as a result of the application of these new standards and considering acquisition of amortizable assets expected in the normal course of business.

Liquidity and financial position

For the year ended September 30, 2001, cash flows from continuing operations were $16.4 million compared to $12.0 million for fiscal 2000 and $0.5 million for fiscal 1999. Operating cash flows represent the cash flows generated from net earnings, excluding revenues and expenses not affecting cash, principally depreciation, amortization, future income taxes and capitalized interest.

The increase in cash flows from continuing operations in fiscal 2001, was mainly the result of the increase in net earnings. For fiscal 2000, the increase resulted primarily

from the return to more normal operations following fiscal 1999, in which cash flows had decreased mainly due to an increase in inventories and accounts receivable. This increase in inventories and accounts receivable was directly related to growth in sales and the Company's determination to meet increased demand for its products related to the Y2K issue.

During the year ended September 30, 2001, Axcan used $47.1 million net cash for repayment of long-term debt and $4.3 million for acquisition of capital assets. Issuance of shares resulted in $31.0 million in net cash, enabling the Company, along with the proceeds from the disposal of short-term investments, to completely repay its debt to Schwarz.

During fiscal 2000, the Company used net cash for repayment of notes payable in the amount of $92.0 million. This repayment was made using proceeds from the issue of shares of $88.3 million. As at September 30, 2001, cash and cash equivalents totalled $16.5 million compared to $11.1 million as at September 30, 2000, and $27.6 million as at September 30, 1999.

As at September 30, 2001, the Company posted total assets of $249.1 million compared to $254.1 million as at September 30, 2000. Working capital amounted to $43.6 million as at September 30, 2001, compared to $28.2 million one year earlier.

As at September 30, 2001, Axcan's shareholders' equity amounted to $205.1 million compared to $161.7 million as at September 30, 2000.

On October 30, 2001, Axcan signed a definitive agreement to acquire all of the shares of Laboratoires Entéris, S.A.S., a company specializing in the distribution of gastrointestinal products in France. The purchase price which has been set at $22 million will be financed out of cash and credit facilities.

On November 22, 2001, Axcan signed a credit agreement with two Canadian chartered banks relative to a $55 million financing. The financing comprises a $15 million revolving operating facility and a $40 million, 364-days extendible revolving facility with a three-year term-out option.

Since inception, the Company has funded research and development, operations, acquisitions of fixed assets and investment activities through public and private sales of equity, sales of products, interest income, bank loans and long-term borrowings. Based on current operating budgets, the management of Axcan believes that the resources of the Company meet its current financial requirements.

Review of operations

One of the outstanding events of recent years was the acquisition of Axcan Scandipharm in August 1999. Axcan Scandipharm specializes in the distribution of gastrointestinal and nutritional products, mainly ULTRASE and SCANDISHAKE. Axcan Scandipharm's sales force enables Axcan to expand the promotion of its products in the United States.

Furthermore, in November of 1999, Axcan purchased from Schwarz Pharma that Company's 50% interest

in Axcan URSO for $52 million. This acquisition, combined with the previous Scandipharm transaction, positioned Axcan as a key player in the North American gastroenterology field.

In June 2000, the Company added yet another promising product to its pipeline by purchasing from QLT Inc. the worldwide rights to PHOTOFRIN, the first drug to be approved in any jurisdiction as a photodynamic therapy for the treatment of certain cancers.

In May 2000, to further focus its activities on gastrointestinal products, the Company sold its interest in the joint-venture, Althin Biopharm, which specializes in the field of hemodialysis.

Outlook

Since its inception, the Company has been active in the field of gastroenterology. Axcan has progressively earned a credible reputation with physicians specialized in this area in Canada as well as abroad. The acquisitions of Axcan Scandipharm and of the 50% interest in Axcan URSO that Axcan did not already own, has allowed the Company to continue to expand its operations into the United States.

Axcan's solid financial position, as well as its cash flows from operations, enable the Company to pursue its operational objectives.

Risk factors

The future performance of Axcan is dependent on a number of factors, including the progress of URSO 250 sales in North America and worldwide in the case of PHOTOFRIN, the level of marketing expenses necessary to obtain that progress, the Company's research and development program as well as obtaining regulatory approvals for various products and indications.

Axcan is also exposed to financial market risks, including changes in foreign currency exchange rates and interest rates. Axcan does not use derivative financial instruments for speculative or trading purposes.

Inflation has not had a significant impact on Axcan's results of operations.

Foreign currency risk

Axcan operates internationally; however, a substantial portion of the revenue and expense activities and capital expenditures are transacted in U.S. dollars. The only other significant transactions are in Canadian dollars, and Axcan does not believe it has a material exposure to foreign currency risk due to the relative stability of the Canadian dollar in relation to the U.S. dollar.

Interest rate risk

Axcan is exposed to interest rate risk on borrowings under the credit facilities. The credit facilities bear interest based on LIBOR, U.S. dollar base rate, Canadian dollar prime rate, or Canadian dollar Bankers' Acceptances. Based on projected advances under the credit facilities, a 100 basis-point adverse change in interest rates would not have a material effect on Axcan's consolidated results of operations, financial position, or cash flows.

Cash flows and financial resources

Axcan believes that cash and temporary investments, together with funds provided by operations, will be sufficient to meet operating cash requirements, including development of products through research and development activities, capital expenditures and repayment of its debt. Potential regulatory approvals of future products and positive effects stemming from its research and development efforts, should also significantly contribute to the increase in funds provided by operations.

Volatility of share prices

The market price of Axcan's shares is subject to volatility. Deviations in actual financial or scientific results, as compared to expectations of securities analysts who follow our activities can have a significant effect on the trading price of Axcan's shares. Changes in accounting standards could or could not have an impact on the financial statements' presentation.

Forward-looking statements

This document contains forward-looking statements, which reflect the Company's current expectations regarding future events. The forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein and depend on a number of factors, including the successful and timely completion of clinical studies, the uncertainties related to the regulatory process and the commercialization of the drug thereafter. Investors should consult the Company's ongoing quarterly filings, annual reports and 40-F filings for additional information on risks and uncertainties relating to these forward-looking statements. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements.

On behalf of management,

Jean Vézina
Vice President, Finance and Chief Financial Officer

Financial Statements

Table of Contents

Management's Report

The consolidated financial statements of Axcan Pharma Inc. and the other financial information included in this annual report are the responsibility of the Company's management.

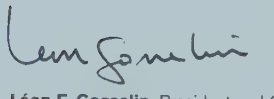
These consolidated financial statements and the other financial information have been prepared by management in accordance with generally accepted accounting principles. This responsibility includes the selection of appropriate accounting principles and methods in the circumstances and the use of careful judgment in establishing reasonable accounting estimates.

Management maintains internal control systems designed among other things, to provide reasonable assurance that the Company's assets are adequately safeguarded and that the accounting records are a reasonable basis to prepare relevant and reliable financial information.

The Audit Committee is composed solely of external directors. This Committee meets with the external auditors and management to discuss matters relating to the audit, internal control and financial information. The Committee also reviews the consolidated quarterly and annual financial statements.

These consolidated financial statements have been audited by Raymond Chabot Grant Thornton, Chartered Accountants, whose report indicating the scope of their audit and their opinion on the consolidated financial statements is presented below.

The Board of Directors has approved the Company's financial statements on the recommendation of the Audit Committee.



Léon F. Gosselin, President and Chief Executive Officer

David W. Mims, Executive Vice President and Chief Operating Officer

Jean Vézina, Vice President, Finance and Chief Financial Officer

Mont-Saint-Hilaire, Quebec, Canada
November 15, 2001

Auditors' Report

To the Shareholders of Axcan Pharma Inc.

We have audited the consolidated balance sheets of Axcan Pharma Inc. as at September 30, 2001 and 2000 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended September 30, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2001 in accordance with generally accepted accounting principles in Canada.

Raymond Chabot Grant Thornton

Raymond Chabot Grant Thornton
General Partnership
Chartered Accountants

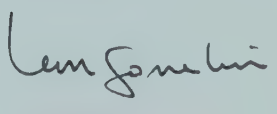
Montreal, Quebec, Canada
November 15, 2001

Consolidated Balance Sheets

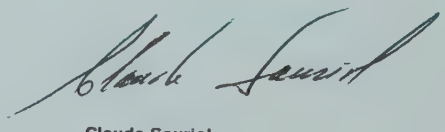
SEPTEMBER 30	2001	2000
in thousands of U.S. dollars	$	$
Assets		
Current assets		
Cash and cash equivalents	16,541	11,135
Short-term investments, at cost *(Note 6)*	–	9,787
Accounts receivable *(Note 7)*	22,178	14,776
Income taxes receivable	417	3,301
Inventories *(Note 8)*	16,735	13,335
Prepaid expenses and deposits	1,803	2,014
Future income taxes *(Note 9)*	3,335	2,315
Total current assets	61,009	56,663
Investments *(Note 10)*	2,579	1,838
Capital assets *(Note 11)*	162,584	168,138
Future income taxes *(Note 9)*	3,221	6,173
Goodwill *(Note 12)*	19,710	21,240
	249,103	254,052
Liabilities		
Current liabilities		
Accounts payable *(Note 14)*	16,113	15,620
Income taxes payable	782	1,722
Instalments on long-term debt	103	10,614
Future income taxes *(Note 9)*	453	467
Total current liabilities	17,451	28,423
Long-term debt *(Note 15)*	112	36,688
Future income taxes *(Note 9)*	25,704	26,655
Non-controlling interest	695	556
	43,962	92,322
Shareholders' Equity		
Equity component of purchase price *(Note 16)*	2,704	2,704
Capital stock *(Note 17)*	186,650	152,905
Retained earnings	16,914	7,195
Accumulated foreign currency translation adjustments	(1,127)	(1,074)
	205,141	161,730
	249,103	254,052

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,



Léon F. Gosselin
Director



Claude Sauriol
Director

Consolidated Earnings

YEARS ENDED SEPTEMBER 30	2001	2000	1999
in thousands of U.S. dollars, except per share amounts	$	$	$
Revenue	104,549	87,486	37,549
Cost of goods sold	26,540	22,313	9,546
Selling and administrative expenses	39,101	32,127	17,771
Research and development expenses	6,129	6,174	3,175
	71,770	60,614	30,492
	32,779	26,872	7,057
Financial expenses	3,528	9,095	2,800
Interest income	(981)	(1,072)	(1,111)
Depreciation and amortization	12,032	10,522	3,021
	14,579	18,545	4,710
Earnings before income taxes	18,200	8,327	2,347
Income taxes *(Note 9)*	6,728	3,387	1,348
Earnings from continuing operations	11,472	4,940	999
Earnings from discontinued operations, including a net gain on divestiture of $1,442 in 2000 *(Note 5)*	–	1,796	413
Net earnings	11,472	6,736	1,412
Earnings per common share			
Basic and diluted			
Continuing operations	0.31	0.18	0.06
Discontinued operations	–	0.07	0.03
Net earnings	0.31	0.25	0.09
Weighted average number of common shares			
Basic	35,832,198	26,575,475	16,111,545
Diluted	36,531,052	26,791,510	16,144,329

Consolidated Retained Earnings

YEARS ENDED SEPTEMBER 30	2001	2000	1999
in thousands of U.S. dollars	$	$	$
Balance, beginning of year	7,195	4,166	2,868
Net earnings	11,472	6,736	1,412
Common share issue expenses, net of future income taxes in the amount of $881 for 2001 ($1,853 for 2000 and $69 for 1999).	(1,452)	(3,565)	(114)
Cumulative dividends on preferred shares	(301)	(142)	–
Balance, end of year	16,914	7,195	4,166

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Cash Flows

Years ended September 30	2001	2000	1999
in thousands of U.S. dollars	$	$	$
Operations			
Earnings from continuing operations	11,472	4,940	999
Dividends from a company subject to significant influence	–	12	25
Non-cash items			
Non-controlling interest	(249)	–	–
Interest	–	–	1,484
Depreciation and amortization	12,032	10,995	3,966
Gain on disposal of assets	(141)	(37)	–
Foreign currency fluctuation	102	320	(69)
Future income taxes	2,515	1,934	3,986
Investment tax credits	(746)	(627)	214
Share in net loss of companies subject to significant influence	–	125	186
Changes in working capital items from continuing operations *(Note 19)*	(8,580)	(5,674)	(10,310)
Cash flows from continuing operations	16,405	11,988	481
Cash flows from discontinued operations	–	396	160
Cash flows from operating activities	16,405	12,384	641
Financing			
Notes payable	–	–	90,533
Repayment of notes payable	–	(92,017)	–
Repayment of long-term debt	(47,075)	(13,620)	–
Non-controlling interest	388	–	–
Issue of shares	33,302	88,342	10,252
Share issue expenses	(2,333)	(4,876)	(183)
Cash flows from discontinued operations	–	(12)	(17)
Cash flows from financing activities	(15,718)	(22,183)	100,585
Investment			
Acquisition of short-term investments	(48,552)	(9,787)	(34,951)
Disposal of short-term investments	58,339	19,300	43,180
Net proceeds from discontinued operations	–	4,587	–
Acquisition of investments	(961)	(99)	(128)
Disposal of investments	186	1,982	–
Acquisition of capital assets	(4,283)	(20,827)	(865)
Other	–	–	(1,041)
Net cash used for business acquisitions *(Note 4)*	–	(1,798)	(82,456)
Cash flows from discontinued operations	–	17	33
Cash flows from investment activities	4,729	(6,625)	(76,228)
Foreign exchange loss on cash held in foreign currency	(10)	–	(504)
Net increase (decrease) in cash and cash equivalents	5,406	(16,424)	24,494
Cash and cash equivalents, beginning of year	11,135	27,559	3,065
Cash and cash equivalents, end of year	16,541	11,135	27,559

The accompanying notes are an integral part of the consolidated financial statements.

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

1. Governing Statutes and Nature of Operations

The Company, incorporated under the Canada Business Corporations Act, is involved in the research, development, production and distribution of pharmaceutical products, mainly in the field of gastroenterology.

2. Changes in Reporting Currency and Accounting Policies

Change in reporting currency

The consolidated financial statements of the Company were presented in Canadian dollars up to September 30, 1999. Until that date, the Canadian dollar was also considered the functional currency of the Company. Further to the acquisition of Axcan Scandipharm Inc. ("Axcan Scandipharm") and the redemption of Schwarz Pharma Inc. ("Schwarz") 50% interest in the Axcan Urso LLC (formerly Axcan Schwarz LLC, ("LLC")) joint-venture, a growing proportion of the Company's operations is in the United States. As of October 1, 1999, the Company changed its currency of display and its currency of measurement to the U.S. dollar.

The financial information for the year ended September 30, 1999 is presented in U.S. dollars in accordance with a translation of convenience method using the closing exchange rate at September 30, 1999 of U.S. $0.68 for CDN $1.00. The translated amount for Canadian non-monetary items at September 30, 1999 became the historical basis for those items subsequently.

Change in accounting policy

The company adopted, on a retroactive basis, the new recommendations issued by the Canadian Institute of Chartered Accountants ("CICA") modifying the calculation of earnings per share. Under the new recommendations, the treasury stock method is to be used, instead of the current imputed earnings approach, for determining the dilution effect of convertible debt, convertible preferred shares and options. This change in accounting policy has no impact on the Company's previously reported diluted earnings per share for all years presented.

Standards applicable for the year 2002

In 2001, the CICA approved new standards modifying the method of accounting for business combinations entered into after June 30, 2001 and address the accounting for goodwill and other intangible assets. The new standards on goodwill and other intangible assets should be applied for fiscal years beginning on or after January 1, 2002. The Company has elected to early adopt and anticipates that beginning October 1, 2001, it will no longer amortize its goodwill and trademarks with indefinite life, but will however, evaluate goodwill and trademarks with indefinite life for impairment annually. The Company anticipates the effect of implementation to be a reduction of depreciation and amortization expense of approximately $6.4 million during fiscal 2002. These standards are the same ones in the United States.

3. Accounting Policies

The financial statements are expressed in U.S. dollars and were prepared in accordance with generally accepted accounting principles in Canada, which in the case of Axcan Pharma Inc., can differ from generally accepted accounting principles in the United States, as shown in Note 24.

Accounting estimates

The preparation of financial statements in accordance with generally accepted accounting principles in Canada requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and recognized amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Principles of consolidation

These financial statements include the accounts of the Company and its subsidiaries, the most important being Axcan Scandipharm Inc. and Axcan Pharma U.S. Inc. The Company's interest in the joint-ventures Althin Biopharm Inc. (until May 30, 2000) and Axcan Urso LLC (until November 19, 1999) is accounted for by the proportionate consolidation method.

Revenue recognition

Revenues are recognized as the Company's obligations pertaining to the deliveries are fulfilled.

Cash and cash equivalents

The Company includes in cash and cash equivalents cash and all highly liquid short-term investments with initial maturities of three months or less.

3. Accounting Policies (Continued)

Inventory valuation

Inventories of raw materials and packaging material are valued at the lower of cost and replacement cost. Inventories of work in progress and finished goods are valued at the lower of cost and net realizable value. Cost is determined by the first in, first out method.

Investments in companies subject to significant influence

The investments in shares of companies subject to significant influence are recorded using the equity method.

Research and development

Research and development expenses are charged to earnings in the year they are incurred, net of related tax credits.

Depreciation and amortization

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Building	Diminishing balance	4%
Furniture and equipment	Diminishing balance and	20%
	straight-line	10%
Automotive and computer equipment	Diminishing balance	30%
Leasehold and building improvements	Straight-line	20%
Trademarks, trademark licenses and manufacturing rights	Straight-line	4% and 6.67%

Bond discount was amortized on a straight-line basis over a five-year period until 2000.

Goodwill is amortized on a straight-line basis over periods of 15 or 20 years.

Management evaluates the value of the unamortized portion of goodwill, trademarks, trademark licenses and manufacturing rights annually by comparing the carrying value to the future benefits of the companies' activities or the expected sale of pharmaceutical products. Should there be a permanent impairment in value or if the unamortized balance exceeds recoverable amounts, a write-down will be recognized for the current year.

Stock options

The Company has granted stock options as described in Note 17. No compensation expense is recognized when stock options are issued to employees. Any consideration paid by employees on the exercise of stock options is credited to capital stock.

Foreign currency translation

The current rate method of translation of foreign currencies is followed for subsidiaries, or joint-ventures considered financially and operationally self-sustaining. Therefore, all gains and losses arising from the translation of the financial statements of subsidiaries or joint-ventures are deferred in an "Accumulated foreign currency translation adjustments" account under "Shareholders' equity".

Monetary assets and liabilities in currency other than U.S. dollars of Canadian companies and integrated foreign operations are translated into U.S. dollars at the exchange rates in effect at the balance sheet date whereas other assets and liabilities are translated at exchange rates in effect at transaction dates. Revenue and operating expenses in foreign currency are translated at the average rates in effect during the year. Gains and losses are included in earnings for the year.

Earnings per share

Earnings per share is calculated using the weighted average number of common shares outstanding during the year. The treasury stock method is to be used for determining the dilution effect of convertible debt, convertible preferred shares and options.

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

4. Business Acquisitions

a) September 30, 2000

On November 19, 1999, Axcan redeemed Schwarz's 50% interest in the Axcan Urso LLC joint-venture. The purchase price amounting to $52,000,000 was paid in cash by a loan from Schwarz Pharma Inc. This acquisition was accounted for using the purchase method. The purchase price allocated to capital assets, including trademarks, trademark licenses and manufacturing rights, is amortized using the straight-line method over a period of 25 years.

On December 22, 1999, the Company reimbursed the note payable with a par value of CDN $40,000,000 to a subsidiary of Caisse de dépôt et placement du Québec ("CDPQ") by the issuance of shares of Axcan Scandipharm representing a 40.4% interest in Axcan Scandipharm. The same day, the Company acquired this 40.4% interest for cash. The excess of the cost of the purchase over the book value of the note payable amounting to $1,495,774 was accounted for as goodwill.

On May 25, 2000, the Company acquired additional shares of a company subject to significant influence, Biozymes Inc. ("Biozymes"), a company specializing in the development and production of enzymes by extraction processes. This additional acquisition of shares increased the interest of the Company in Biozymes from 26.78% to 54.58%. The acquisition cost amounted to $574,324, of which $302,322 was paid in cash and the balance was paid in cash during year 2001.

The following table shows the breakdown of these acquisitions:

	$
Net assets acquired at the attributed values	
Assets	
Cash and cash equivalents	9
Inventories	119
Other working capital items	91
Capital assets	53,609
Goodwill	1,496
	55,324
Liabilities	
Accounts payable	311
Long-term debt	387
Non-controlling interest	556
	1,254
	54,070
Consideration	
Cash	1,798
Loan payable	52,000
Purchase price balance payable	272
	54,070

These acquisitions were accounted for using the purchase method and, consequently, the acquisition cost has been allocated to the assets and liabilities according to their estimated fair value at the acquisition dates. The operating results relating to these acquisitions have been included in the consolidated financial statements from the acquisition date.

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

4. Business Acquisitions (Continued)

b) September 30, 1999

On August 2, 1999, the Company acquired the majority of the outstanding shares of Axcan Scandipharm, a distributor of gastrointestinal products. Substantially all of the remaining outstanding shares were acquired subsequently. On September 30, 1999, 12,292 shares (0.11% of the outstanding shares) were still held by third parties.

The acquisition cost, including transaction expenses amounting to $103,662,639, was paid in cash.

On August 31, 1999, the Company acquired a 50% share in the Companies Bonne Santé Sp. z o.o. and Czet Pharma Inc. (hereafter collectively called "Czet") companies specializing in the distribution of gastrointestinal products in Poland. The acquisition cost amounting to $589,507 was paid with the issuance of 75,000 common shares of the Company and $150,732 in cash.

The following table shows the breakdown of these acquisitions:

	$
Net assets acquired at the attributed values	
Assets	
Cash and cash equivalents	21,358
Short-term investments	14,135
Other working capital items	4,080
Capital assets and other assets	68,332
Goodwill	20,583
	128,488
Liabilities	
Contingency provisions	5,512
Future income taxes	18,724
	24,236
	104,252
Consideration	
Cash	103,814
Common shares issued	438
	104,252
Net cash used for the acquisitions	82,456

These acquisitions were accounted for using the purchase method and, consequently, the acquisition cost has been allocated to the assets and liabilities according to their estimated fair value at the acquisition dates. The operating results relating to the acquisition of Axcan Scandipharm have been included in the consolidated financial statements from the acquisition date, and those of Czet are accounted for under the proportionate consolidation method also from the date of acquisition.

Using the assumption that the effective date of the business acquisitions is October 1, 1998, the consolidated pro-forma results of operations of the Company would have been as follows for the years ended September 30:

	2000 (unaudited)	1999 (unaudited)
	$	$
Revenue	89,668	71,961
Net earnings (loss)	7,441	(1,525)
Net earnings (loss) per share	0.27	(0.07)

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

5. Discontinued Operations

During the third quarter of the year ended September 30, 2000, the Company decided to discontinue the operations related to Althin Biopharm Inc., a joint-venture operating in the dialysis products field. The shares of the joint-venture have been sold to the other joint-venturer for a cash consideration of $5,067,568.

During the third quarter of the year ended September 30, 1999, the Company decided to discontinue the operations related to its subsidiary, Axcan Ltée, specialized in the contraceptive field and the prevention of sexually transmitted diseases. The shares of the subsidiary have been sold to a private company for a consideration of $1,156,463 in preferred shares.

The operating results of the above subsidiary and joint-venture to the effective divestiture date, together with the net gain on divestiture were disclosed separately as "Earnings from discontinued operations" in the financial statements and the notes. The results of the discontinued operations disclosed in the statements of earnings are as follows:

	2000	1999
	$	$
Revenue	3,701	5,659
Expenses		
Cost of goods sold	2,473	4,062
Selling and administrative expenses	540	773
Research and development expenses	7	81
Financial expenses	7	17
Depreciation and amortization	68	50
Income taxes	252	263
	3,347	5,246
Contribution to the Company's earnings	354	413
Net gain on divestiture	1,442	–
Earnings from discontinued operations	1,796	413

The net gain on divestiture is as follows:

	2000	1999
	$	$
Net proceeds	5,055	1,156
Net assets sold		
Investments	463	–
Capital assets	827	693
Goodwill	227	–
Working capital items (including $468 of cash in 2000)	1,691	80
Future income taxes	–	383
Long-term debt	(465)	–
	2,743	1,156
Gain on divestiture	2,312	–
Recognized gain resulting from the disposal of the building to a joint-venture	243	–
Income taxes	(1,113)	–
Net gain on divestiture	1,442	–

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

6. Short-Term Investments

Short-term investments are available for sale and include debt securities maturing in the coming year. Interest rates vary between 6.61% and 6.65% in 2000.

7. Accounts Receivable

	2001	2000
	$	$
Trade accounts, net of allowance for doubtful accounts of $221,000 ($215,000 in 2000) *(a)*	19,319	13,778
Investments receivable within one year	278	146
Taxes receivable	289	508
Other	2,292	344
	22,178	14,776

(a) As at September 30, 2001, the accounts receivable include amounts receivable from four customers (a U.S. distributor and two customers in 2000) which represent approximately 72% (50% in 2000) of the Company's total accounts receivable.

8. Inventories

	2001	2000
	$	$
Raw materials and packaging material	3,628	4,141
Work in progress	3,225	3,909
Finished goods	9,882	5,285
	16,735	13,335

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

9. Income Taxes

Income taxes from continuing operations included in the statement of earnings are as follows:

	2001	2000	1999
	$	$	$
Current	4,213	1,453	(2,638)
Future			
Creation and reversal of temporary differences	746	541	4,067
Capital gains	–	62	52
Operating losses	1,724	1,331	(133)
Change in promulgated rates	45	–	–
	2,515	1,934	3,986
	6,728	3,387	1,348
Domestic	3,537	1,661	701
Foreign	3,191	1,726	647
	6,728	3,387	1,348

The future income tax assets and liabilities result from differences between the tax value and book value of the following items:

	2001	2000
	$	$
Short-term future income tax assets		
Inventories	551	122
Accounts payable	1,625	1,002
Contingency provisions	1,159	1,179
Research and development expenses	–	12
	3,335	2,315
Long-term future income tax assets		
Capital assets	–	1,708
Investments	14	15
Share issue expenses	1,732	1,581
Unused operating losses	8	1,732
Research and development expenses	94	438
Investment tax credits	1,373	699
	3,221	6,173

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

9. Income Taxes (Continued)

	2001	2000
	$	$
Short-term future income tax liabilities		
Prepaid expenses	315	328
Investments	16	17
Deferred gain	122	122
	453	467
Long-term future income tax liabilities		
Investments	31	79
Capital assets	24,865	25,809
Goodwill	682	736
Research and development expenses	126	31
	25,704	26,655

The Company's effective income tax rate differs from the combined statutory federal and provincial income tax rate in Canada. This difference arises from the following:

	2001	2000	1999
	$	$	$
Combined basic rate applied to pre-tax income	6,828	3,211	892
Increase (decrease) in taxes resulting from:			
Large corporations tax	59	35	29
Difference with foreign tax rates	(503)	(131)	24
Amortization of goodwill and other non-deductible items	569	1,175	433
Use of prior years' losses	–	–	(30)
Non-taxable items and other	(896)	(1,602)	–
Foreign withholding taxes	671	699	–
	6,728	3,387	1,348

10. Investments

	2001	2000
	$	$
Investments in a private company, at cost	1,156	1,156
Note receivable, 8.5% beginning on January 1, 2002, maturing on January 1, 2004	936	–
Other	765	828
	2,857	1,984
Investments receivable within one year	278	146
	2,579	1,838

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

11. Capital Assets

	2001		
	Cost	Accumulated depreciation	Net
	$	$	$
Land	468	–	468
Building	3,733	742	2,991
Furniture and equipment	5,931	2,576	3,355
Automotive equipment	113	32	81
Computer equipment	1,664	1,027	637
Leasehold and building improvements	832	123	709
Trademarks, trademark licenses and manufacturing rights	177,439	23,096	154,343
	190,180	27,596	162,584

	2000		
	Cost	Accumulated depreciation	Net
	$	$	$
Land	468	–	468
Building	3,669	619	3,050
Furniture and equipment	4,309	2,328	1,981
Automotive equipment	146	56	90
Computer equipment	1,151	641	510
Leasehold and building improvements	681	78	603
Trademarks, trademark licenses and manufacturing rights	174,847	13,411	161,436
	185,271	17,133	168,138

Acquisitions of capital assets amount to $5,007,190 ($85,173,050 in 2000 and $888,435 in 1999).

12. Goodwill

	2001	2000
	$	$
Cost	23,568	23,568
Accumulated depreciation	3,858	2,328
Net	19,710	21,240

13. Authorized Lines of Credit

The bank loans are secured by an assignment of book debts and inventories as well as the Canadian trademarks, trademark licenses and manufacturing rights. The authorized bank loans are for a maximum of CDN $6,000,000 and of U.S. $4,000,000. The loans in Canadian dollars bear interest at prime rate and the loans in U.S. dollars bear interest at LIBOR-Based rate plus 2.25% and both are renewable annually. As at September 30, 2001, the interest rate is 5.25% (7.5% in 2000 and 6.25% in 1999) for the loans in Canadian dollars and 4.85% (8.87% in 2000 and 8.5% in 1999) for the loans in U.S. dollars. As at September 30, 2001 and 2000, there were no amounts outstanding under these lines of credit.

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

14. Accounts Payable

	2001	2000
	$	$
Accounts payable	1,386	3,059
Accrued liabilities	11,827	9,519
Contingency provisions	2,900	2,900
Accrued dividend	–	142
	16,113	15,620

15. Long-Term Debt

	2001	2000
	$	$
9% loan, secured by an assignment of the acquired interest and the LLC's assets.	–	46,915
Bank loans, prime rate plus 2.25% and 2.50% (7.68% and 9.87% as at September 30, 2001 and 2000), secured by a movable hypothec on assets of a subsidiary having a net book value of $2,488,024 in 2001, payable in monthly instalments of $7,864, maturing in 2002 and 2005.	169	309
Notes payable, 9.52% to 19.84%, payable in monthly instalments, maturing on different dates until 2005.	46	78
	215	47,302
Instalments due within one year	103	10,614
	112	36,688

As at September 30, 2001, minimum instalments on long-term debt for the next four years are as follows:

	$
2002	103
2003	45
2004	35
2005	32

16. Equity Component of Purchase Price

In April 2000, Axcan entered into a series of agreements with QLT PhotoTherapeutics Inc. ("QLT"). These agreements provided for the purchase by Axcan of PHOTOFRIN, a light sensitive compound administered to patients and activated by a laser, and the purchase by QLT of 1,283,333 common shares of Axcan for a total cash consideration of CDN $19,250,000 (U.S. $13,007,000). These transactions closed on June 8, 2000.

The purchase price of CDN $39,250,000 (U.S. $26,100,000) was paid by CDN $21,750,000 (U.S. $14,800,000) in cash and by CDN $13,500,000 (U.S. $9,118,000) with the issuance of 13,500,000 Series A preferred shares of the capital stock. The balance of CDN $4,000,000 (U.S. $2,704,000) will be payable four years after the closing or upon the receipt of a specific approval from a regulatory authority, in cash or in common shares, at Axcan's sole discretion.

The balance of the purchase price of $2,704,000 has been presented as equity component.

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

17. Capital Stock

Authorized

Unlimited number of shares without par value

Common shares

Preferred shares, issuable in series, rights, privileges and restrictions determined at the creation date

During the year 2000, the Company created two series of preferred shares as follows:

14,175,000 Series A, non-voting, annual preferential cumulative dividend of 5 %, redeemable on or prior to June 8, 2001 at CDN $1.00 per share payable at the option of the Company in cash or by the issuance of common shares or in any combination of cash and common shares.

12,000,000 Series B, non-voting, redeemable on the fifth anniversary of their issuance at CDN $1.00 per share payable in cash or by the issuance of common shares at the option of the Company, convertible into common shares at the holder's option on the basis of one common share for each 15 Series B preferred shares.

The issued and fully paid capital stock is as follows:

	2001		2000		1999	
	Number	Amount	Number	Amount	Number	Amount
		$		$		$
Common shares						
Balance, beginning of year	34,506,254	143,787	17,951,553	55,445	15,761,700	44,754
Shares issued following public offerings *(a)*	3,000,000	32,967	14,331,668	71,314	–	–
Shares issued following private investors' subscription *(a)*	–	–	1,383,333	13,443	2,103,787	10,204
Shares issued following the exercise of the underwriters' option *(a)*	–	–	787,500	3,295	–	–
Shares issued pursuant to the stock option plan *(a)*	69,597	335	52,200	290	9,000	37
Shares issued for the acquisition of assets and other	–	–	–	–	77,066	450
Shares issued for the redemption of preferred shares and cumulative dividends	836,282	9,561	–	–	–	–
Balance, end of year	38,412,133	186,650	34,506,254	143,787	17,951,553	55,445
Series A preferred shares						
Balance, beginning of year	13,500,000	9,118	–	–	–	–
Shares issued for the acquisition of assets	–	–	13,500,000	9,118	–	–
Shares redeemed by the issuance of common shares	(13,500,000)	(9,118)	–	–	–	–
Balance, end of year	–	–	13,500,000	9,118	–	–
Total		186,650		152,905		55,445

(a) Issued for cash

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

17. Capital Stock (Continued)

50

Common stock option plan

The common stock option plan is intended for eligible directors, principal senior executives and employees. The number of stock options that can be granted under this plan cannot exceed 2,590,000, 1,900,000 and 500,000 as at September 30, 2001, 2000 and 1999 respectively.

Granted stock options are for 1,956,441 and 1,364,348 common shares as at September 30, 2001 and 2000 respectively and may be exercised at prices between $3.80 and $11.45. These options may be exercised at a rate of 20% per year and expire ten years after the granting date.

The changes to the number of stock options outstanding are as follows:

	2001		2000		1999	
	Number of options	**Weighted Average Exercise Price**	Number of options	Weighted Average Exercise Price	Number of options	Weighted Average Exercise Price
		$		$		$
Balance, beginning of year	1,364,348	6.56	353,600	5.80	302,600	5.89
Granted	772,433	10.30	1,246,063	7.11	60,000	5.07
Exercised	(69,597)	4.77	(52,200)	5.59	(9,000)	4.08
Cancelled	(110,743)	7.54	(183,115)	7.26	–	–
Balance, end of year	1,956,441	7.75	1,364,348	6.56	353,600	5.80

	2001	2000	1999
Options exercisable at end of year	337,708	125,400	124,600

Stock options outstanding at September 30, 2001 are as follows:

	Options outstanding			Options exercisable	
Exercise price	Number	Weighted average remaining contractual life	Weighted average exercise price	Number	Weighted average exercise price
			$		$
$ 3.80 – $ 5.10	180,700	6.4	4.23	103,700	4.24
$ 5.11 – $ 6.40	21,000	8.5	6.33	4,200	6.33
$ 6.41 – $ 7.70	996,057	8.5	6.70	214,058	6.74
$ 7.71 – $ 9.00	3,750	5.9	7.73	2,750	7.73
$ 9.01 – $ 10.30	548,684	9.2	9.65	–	–
$ 10.31 – $ 11.60	206,250	9.4	10.96	13,000	10.35
	1,956,441	8.0	7.75	337,708	6.11

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

18. Financial Information Included in the Consolidated Statement of Earnings

	2001	2000	1999
	$	$	$
a) Financial expenses			
Interest on notes payable to CDPQ	–	2,932	1,484
Other interest on long-term debt	2,820	4,029	–
Interest on short-term debt and bank charges	55	215	353
Financing fees	–	1,278	–
Foreign exchange losses	653	158	–
Amortization of deferred debt issue expenses	–	483	963
	3,528	9,095	2,800
b) Other information			
Settlement of litigation income	–	–	1,610
Share in net loss of companies subject to significant influence	–	125	186
Depreciation of capital assets	10,502	9,124	2,779
Amortization of other assets	1,530	1,991	1,330
Amortization of bond discount	–	(52)	(81)
Tax credits applied against research and development expenses	1,114	892	522

During 2000, the Company increased its estimated accrual for contract rebates, chargebacks and for product returns by a total amount of $2,288,531.

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

18. Financial Information Included in the Consolidated Statement of Earnings (Continued)

c) Earnings from continuing operations per common share

The following table reconciles the numerators and denominators of the basic and diluted earnings per share computations.

	2001	2000	1999
Basic			
Net earnings	$11,472	$4,940	$999
Dividends on preferred shares	(301)	(142)	–
Earnings available to common shareholders	$11,171	$4,798	$999
Weighted average number of common shares outstanding	35,832,198	26,575,475	16,111,545
Basic earnings per share	$0.31	$0.18	$0.06
Diluted			
Earnings available to common shareholders on a diluted basis	$11,171	$4,798	$999
Weighted average number of common shares outstanding	35,832,198	26,575,475	16,111,545
Effect of dilutive stock options	449,478	77,602	32,784
Effect of dilutive equity component of purchase price	249,376	138,433	–
Adjusted weighted average number of common shares outstanding	36,531,052	26,791,510	16,144,329
Diluted earnings per share	$0.31	$0.18	$0.06

Options to purchase 206,250, 1,132,948 and 145,000 common shares were outstanding in 2001, 2000 and 1999 respectively but were not included in the computation of diluted earnings per share as the exercise price of the options was greater than the average market price of the common shares.

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

19. Financial Information Included in the Consolidated Statement of Cash Flows

a) Changes in working capital items from continuing operations:

	2001	2000	1999
	$	$	$
Accounts receivable	(7,270)	(1,739)	(4,975)
Income taxes receivable	2,884	(237)	(3,125)
Inventories	(3,400)	(1,837)	(4,583)
Prepaid expenses	211	(850)	(328)
Payable to a joint-venturer	–	(955)	1,903
Accounts payable	(1,673)	(432)	(3,135)
Accrued liabilities	1,608	(235)	4,524
Income taxes payable	(940)	611	(591)
	(8,580)	(5,674)	(10,310)

b) Cash flows relating to interest and income taxes of operating activities are as follows:

	2001	2000	1999
	$	$	$
Interest received	1,010	1,399	1,040
Interest paid	2,875	8,945	28
Income taxes paid	2,028	1,027	180

20. Joint-Ventures

The following accounts represent the shares of the Company in the joint-ventures:

	2001	2000	1999
	$	$	$
Current assets	186	112	3,113
Total assets	623	619	6,639
Current liabilities	220	177	9,095
Total liabilities	245	177	9,581
Revenue	696	536	4,032
Expenses	735	617	5,261
Earnings from discontinued operations	–	1,796	484
Net earnings (loss)	(39)	1,715	(745)
Cash flows from:			
Operations	(10)	385	101
Financing	25	(12)	(154)
Investment	–	4,588	35

The Company's share of undistributed earnings of the equity of one of the joint-ventures amounted to $1,687,000 as at September 30, 1999.

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

21. Segmented Information

The Company considers that it operates in a single field of activity, the pharmaceutical industry, since its other activities do not account for a significant portion of segment assets.

No customer represents more than 10% of the Company's revenue except for four customers (one U.S. distributor and one customer in 2000 and two customers in 1999) for which the sales represented 66.3% of revenue for the year ended September 30, 2001 (36.8% and 28.5% in 2000 and 1999).

Purchases from one (two in 1999) supplier represent approximately 38% of the cost of goods sold for the year ended September 30, 2001 (39% in 2000 and 34% in 1999).

The Company operates in the following geographic segments:

	2001	2000	1999
	$	$	$
Revenue			
Canada			
Domestic sales	18,485	16,001	14,976
Foreign sales, mainly in the United States	11,950	7,039	4,564
United States			
Domestic sales	79,289	64,446	20,004
Foreign sales	481	463	270
Other	7,109	–	–
Inter-segment	(12,765)	(463)	(2,265)
	104,549	87,486	37,549
Earnings before financial expenses, interest income, depreciation and amortization, income taxes and discontinued operations			
Canada	5,211	3,009	4,084
United States	25,861	23,863	2,973
Other	1,707	–	–
	32,779	26,872	7,057
Depreciation and amortization			
Canada	1,092	998	923
United States	9,479	9,524	2,098
Other	1,461	–	–
	12,032	10,522	3,021
Capital assets and goodwill			
Canada	16,154	13,938	13,108
United States	136,920	145,304	99,743
Other	29,220	30,136	–
	182,294	189,378	112,851
Total assets			
Canada	207,840	140,324	57,584
United States	181,849	195,929	159,374
Other	33,623	30,819	–
Inter-segment	(174,209)	(113,020)	(11,580)
	249,103	254,052	205,378

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

22. Financial Instruments

Fair value of the financial instruments on the balance sheet:

The estimated fair value of the financial instruments is as follows:

	2001		2000	
	Fair value	**Carrying amount**	Fair value	Carrying amount
	$	**$**	$	$
Assets				
Cash and cash equivalents	16,541	16,541	11,135	11,135
Short-term investments	–	–	9,787	9,787
Accounts receivable	21,611	21,611	14,122	14,122
Investments in a private company	b)	1,156	b)	1,156
Note receivable	b)	936	–	–
Other investments	765	765	828	828
Liabilities				
Accounts payable	16,113	16,113	15,620	15,620
Long-term debt	215	215	45,990	47,302

The following methods and assumptions were used to calculate the estimated fair value of the financial instruments on the balance sheet.

a) Financial instruments valued at carrying amount

The estimated fair value of certain financial instruments shown on the balance sheet is equivalent to their carrying amount because they are realizable in the short-term or items whose carrying amount approximates the fair value. These financial instruments include cash and cash equivalents, short-term investments, accounts receivable, other investments and accounts payable.

b) Investments in a private company and note receivable

The fair value of investments in a private company and note receivable was not readily determinable.

c) Long-term debt

In 2000, the fair value of long-term debt has been established by discounting the future cash flows at interest rates corresponding to those the Company would currently obtain for loans with similar maturity dates and terms. In 2001, the fair value of long-term debt is equivalent to the carrying amount because most of it bears interest at a variable rate.

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

23. Commitments and Contingencies

a) Commitments

The Company has entered into non-cancellable operating leases expiring on different dates until July 31, 2018 for the rental of office space, automotive equipment and equipment. One of the office space leases contains an escalation clause providing for additional rent.

Minimum future lease payments under these operating leases are as follows:

	$
2002	751
2003	576
2004	445
2005	434
2006	143
Thereafter	641
	2,990

b) Contingencies

The subsidiary Axcan Scandipharm is a party to several legal proceedings related to the product line it markets under the name ULTRASE. Lawsuits have been filed and claims have been asserted against Axcan Scandipharm and certain suppliers stemming from allegations that, among other things, certain products caused colonic strictures. Axcan Scandipharm has been named as a defendant in 11 product liability lawsuits (one suit contains two plaintiffs). Of the 11 lawsuits to date, Axcan Scandipharm was dismissed from one, nonsuited in another, settled eight and has one (containing two plaintiffs) pending. At this time, it is difficult to predict the number of potential cases, and because of the young age of the patients involved, Axcan Scandipharm's product liability exposure for this issue in the United States will remain for a number of years. Axcan Scandipharm's insurance carriers have defended the lawsuits to date and Axcan expects them to continue to defend Axcan Scandipharm (to the extent of its product liability insurance) should lawsuits be filed in the future.

In addition, suppliers have claimed a right to recover amounts paid defending and settling these claims as well as declaration that Axcan Scandipharm must provide indemnification against future claims. This lawsuit is based on contractual and common law indemnity issues and the parties have agreed to settle their dispute through arbitration. Currently, the amount at issue is in excess of $6,700,000. Axcan Scandipharm denies that such reimbursement is owed.

During the year 2000, the Company reduced its estimate of the accrual related to these claims from $5,378,231 to $2,900,000 which was included in selling and administrative expenses in the accompanying statement of earnings. While the Company believes that the insurance coverage and provisions taken to date are adequate, an adverse determination of any such claims or of any future claims could exceed insurance coverage and amounts currently accrued.

c) Milestone payments

The agreements with QLT relating to the purchase of PHOTOFRIN provided for milestone payments to be made by Axcan to QLT that could reach a maximum of CDN $20,000,000 upon receipt of certain regulatory approvals for specific or an additional indication for PHOTOFRIN or other conditions. Each milestone payment shall be made at the option of the Company either in cash or in Series B preferred shares or in a combination of cash and preferred shares provided that at least one-half of the milestone payable shall be paid in cash. During the year 2000 CDN $5,000,000 (U.S. $3,378,378) was paid by Axcan in cash upon receipt of regulatory approval to market a new laser for use in conjunction with PHOTOFRIN.

23. Commitments and Contingencies (Continued)

d) Royalties

Net sales of certain products of the Company are subject to royalties payable to unrelated third parties.

In particular, the Company must pay to CR Associates a 5% royalty on net sales of products covered under two agreements for the exclusive rights to market ULTRASE and ADEKs for a ten-year term ending December 2001.

Axcan must also pay 5% of worldwide sales of PHOTOFRIN with a maximum of $500,000 per year and a maximum total aggregate of $3,108,245 until December 2007. Until September 30, 2001, an amount of $522,820 has been accounted for ($92,244 in 2000).

Royalties amounting to $3,711,561, $3,022,414 and $718,031 respectively for years ended September 30, 2001, 2000 and 1999 were charged to earnings.

e) Licensing

During the year 2000 Axcan entered into a new licensing agreement to market a new generation of pancrelipase minitablets. Axcan will pay fees totaling $3,500,000 over a period of three years from the date of the agreement, contingent on the attainment of certain milestones in connection with development of new formulations of minitablets. As at September 30, 2001, the Company paid $1,500,000 of these fees. Axcan will pay royalties of 6% on the first $30,000,000 of annual sales and 5% on annual sales in excess of $30,000,000 subject to minimum royalty payments of $750,000, $1,000,000 and $1,500,000 in the first three years of the agreement, respectively.

Axcan also entered into licensing with the Children's Hospital Research Foundation for a series of sulfated derivatives of ursodeoxycholic acid compounds ("SUDCA"). Axcan has paid $589,000 in cash; the Company will also pay milestones for a maximum amount of $425,000 when SUDCA will be validated and a bonus when certain conditions are meet; finally, Axcan will pay royalty based on sales.

f) Employee benefit plan

A subsidiary of the Company has a defined contribution plan (the "Plan") for its U.S. employees. Participation is available to substantially all U.S. employees. Employees may contribute up to 15% of their gross pay and up to limits set by the U.S. Internal Revenue Service. During the year, the Board of Directors approved and the Company charged to earnings a contribution to the Plan totaling $231,629 ($150,514 in 2000).

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

24. Summary of Differences between Generally Accepted Accounting Principles in Canada and in the United States

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada (Canadian GAAP) which, in the case of Axcan Pharma, conform in all material respects with GAAP in the United States (U.S. GAAP), except as set forth below:

a) Earnings and balance sheet adjustments

	2001	2000	1999
	$	$	$
Earnings adjustments:			
Net earnings in accordance with Canadian GAAP	11,472	6,736	1,412
Prepaid advertising costs [1]	404	(211)	(269)
Amortization of goodwill [2]	100	–	–
Financial expenses [2]	–	(701)	(795)
Amortization of new product acquisition costs [4]	54	50	216
Income tax impact of the above adjustments	(205)	62	102
Difference between the convenience and the current rate methods [3]	–	–	(14)
Net earnings in accordance with U.S. GAAP	11,825	5,936	652
Earnings per share in accordance with U.S. GAAP			
Earnings from continuing operations	0.32	0.15	0.01
Earnings from discontinued operations	–	0.07	0.03
Net earnings	0.32	0.22	0.04

Fully diluted earnings per share has not been disclosed as the exercise of options would have no material effect on the earnings per share.

SEPTEMBER 30

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

24. Summary of Differences Between Generally Accepted Accounting Principles in Canada and in the United States (Continued)

	2001		2000	
	Canadian GAAP	**U.S. GAAP**	Canadian GAAP	U.S. GAAP
	$	**$**	$	$
Balance sheet adjustments:				
Current assets (1) (6)	61,009	60,366	56,663	55,690
Investments (6)	2,579	2,957	1,838	2,280
Capital assets (4) (6)	162,584	162,022	168,138	167,485
Future income tax asset (4)	3,221	3,221	6,173	6,173
Goodwill (2) (6)	19,710	17,918	21,240	19,315
Current liabilities (1) (6)	17,451	17,034	28,423	27,909
Future income tax liability (4)	25,704	25,508	26,655	26,419
Long-term debt (7)	112	2,816	36,688	39,392
Non-controlling interest	695	695	556	556
Shareholders' equity				
Equity component of purchase price (7)	2,704	–	2,704	–
Capital stock (5)	186,650	183,193	152,905	150,900
Retained earnings (1) (2) (3) (4) (5) (6)	16,914	22,521	7,195	10,997
Accumulated foreign currency translation adjustments (3)	(1,127)	(5,283)	(1,074)	(5,230)

(1) Under Canadian GAAP, prepaid advertising costs are deferred and amortized over a two-year period. Under U.S. GAAP, these costs are included in earnings.

(2) Under Canadian GAAP, the share of the 40.4% interest of CDPQ in Axcan Scandipharm earnings has been recorded as financial expenses. Under U.S. GAAP, additional financial expenses should be recorded. The additional financial expenses charged in earnings in 2000 and 1999 have brought a decrease in goodwill.

(3) As mentioned in Note 2, the Company adopted on October 1, 1999, the U.S. dollar as the principal currency of measurement. Under Canadian GAAP, prior years' financial statements are presented in U.S. dollars in accordance with a translation of convenience method using the closing exchange rate at September 30, 1999 of U.S. $0.68 per CDN $1. Under U.S. GAAP, prior years' financial statements are translated according to the current rate method using the year-end rate or the rate in effect at the transaction dates, as appropriate.

(4) Under Canadian GAAP, the new product development costs identified upon the acquisition of subsidiaries are deferred and amortized from the date of commencement of commercial production. Under U.S. GAAP, these costs that represent in process research and development are included in earnings as at the date of acquisition as no alternative future use has been established.

(5) Under Canadian GAAP, share issuance expenses are charged directly to retained earnings. Under U.S. GAAP, the expenses are deducted from the consideration received. The net amount is applied against the capital stock account.

(6) As required by Canadian GAAP, the Company accounts for its investment in joint-ventures by the proportionate consolidation method (Note 20). Under U.S. GAAP, these investments would be accounted for by the equity method. This difference does not impact earnings or shareholders' equity.

(7) Under Canadian GAAP, the purchase price payable in cash or in common shares, at Axcan's sole discretion, is presented in the shareholders' equity. Under U.S. GAAP, this amount is recorded as a long-term debt.

(8) Under Canadian GAAP, the research and development tax credits are applied against research and development expenses. Under U.S. GAAP, these tax credits would be applied against income taxes.

(9) Under Canadian GAAP, short-term investments are recorded at cost. Under U.S. GAAP, securities available for sale are recorded at their fair market value, unrealized gains or losses are recorded separately in shareholders' equity. As at September 30, 2000, there is no unrealized gain or loss.

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

24. Summary of Differences Between Generally Accepted Accounting Principles in Canada and in the United States (Continued)

b) Supplementary disclosures

(1) Accounting for stock-based compensation

Under U.S. GAAP, the Company has elected to continue to measure compensation costs related to awards of stock options using the intrinsic-value-based method of accounting. Under Statement of Financial Accounting Standards (SFAS) No. 123, the Company is also required to make pro-forma disclosures of net earnings and basic earnings per share and diluted earnings per share as if the fair-value-based method of accounting had been applied.

The fair value of granted stock options was estimated with the Black-Scholes model of evaluation of the price of options using an expected life of six years, an interest rate without risk of 5.64%, 6.2% and 5.5% for the years ended September 30, 2001, 2000 and 1999 and a volatility of 50% in 2001 and 2000, and 45% in 1999.

Accordingly, the Company's net earnings, basic earnings per share and diluted earnings per share would have been reduced for the years ended September 30, 2001, 2000 and 1999 on a pro-forma basis, as follows:

	2001		2000		1999	
	Actual	Pro-forma	Actual	Pro-forma	Actual	Pro-forma
	$	$	$	$	$	$
Net earnings	11,825	10,410	5,936	5,227	652	452
Basic earnings per share	0.32	0.28	0.22	0.19	0.04	0.03
Diluted earnings per share	0.32	0.28	0.22	0.19	0.04	0.03

The average weighted fair value of granted stock options was as at September 30, 2001, 2000 and 1999, $5.69, $4.04 and $2.61 respectively.

(2) Consolidated cash flows

Under U.S. GAAP, the cash flow from the dividends from a company subject to significant influence would be classified as an investing activity rather than as an operating activity, as it is under Canadian GAAP.

(3) Consolidated comprehensive income

	2001	2000	1999
	$	$	$
Net earnings in accordance with U.S. GAAP	11,825	5,936	652
Foreign currency translation adjustments	(53)	–	816
Consolidated comprehensive income	11,772	5,936	1,468

(4) Consolidated statement of earnings

U.S. GAAP do not recognize the disclosure of a subtotal of the earnings before financial expenses, interest income, depreciation and amortization and income taxes in the consolidated statements of earnings.

Amounts in the tables are stated in thousands of U.S. dollars, except per share amounts.

25. Subsequent Events

a) Agreement to acquire Laboratoires Entéris S.A.S.

On October 30, 2001, the Company signed a definitive agreement to acquire all of the shares of Laboratoires Entéris, S.A.S. a company specializing in the distribution of gastrointestinal products in France. The purchase price, which has been set at U.S. $22,000,000, will be financed out of cash and credit facilities.

b) New credit facility

On October 16, 2001, the Company accepted a term sheet from two Canadian chartered banks relative to a proposed U.S. $55,000,000 financing. The proposed financing comprises a U.S. $15,000,000 revolving operating facility and a U.S. $40,000,000 364-days, extendible revolving facility with a three-year term-out option.

The facilities will be secured by a first security interest on all present and future acquired assets of the Company and its material subsidiaries, and will provide for the maintenance of certain financial ratios.

The interest rate will vary depending on the Company's leverage between 25 basis points to 125 basis points over prime rate and between 125 basis points and 225 basis points over the LIBOR rate or bankers acceptances. The facilities may be drawn in U.S. dollars or in Canadian dollars equivalent. Final documentation is expected to be signed before November 30, 2001.

Quarterly Results

Fiscal Year Ended September 30, 2000

In thousands of U.S. dollars, except per share amounts.

Quarter ended	Dec. 31, 99	March 31, 00	June 30, 00	Sept. 30, 00	Fiscal 00
	$	$	$	$	$
Revenue	25,278	15,606	21,903	24,699	87,486
Net earnings (loss)*	1,858	(754)	1,411	2,425	4,940
Net earnings (loss) per share*	0.09	(0.03)	0.05	0.07	0.18

Fiscal Year Ended September 30, 2001

In thousands of U.S. dollars, except per share amounts.

Quarter ended	Dec. 31, 00	March 31, 01	June 30, 01	Sept. 30, 01	Fiscal 01
	$	$	$	$	$
Revenue	24,381	24,636	27,071	28,461	104,549
Net earnings*	1,821	2,492	2,798	4,361	11,472
Net earnings per share*	0.05	0.07	0.08	0.11	0.31

* from continuing operations

Quarterly Common Share Price

Fiscal years ended September 30, 2001 and 2000

	1st quarter		1st quarter	
	2001 TSE – CDN $	**2001** NASDAQ – U.S. $	2000 TSE – CDN $	2000 NASDAQ – U.S. $
High	16.45	11.00	7.95	—
Low	13.15	8.50	5.75	—
Volume	129,500	1,000,473	1,886,522	—

	2nd quarter		2nd quarter	
	2001 TSE – CDN $	**2001** NASDAQ – U.S. $	2000 TSE – CDN $	2000 NASDAQ – U.S. $
High	17.35	11.50	14.95	—
Low	13.40	8.50	5.95	—
Volume	2,906,600	2,319,300	4,904,584	—

	3rd quarter		3rd quarter	
	2001 TSE – CDN $	**2001** NASDAQ – U.S. $	2000 TSE – CDN $	2000 NASDAQ – U.S. $
High	18.20	11.81	11.25	7.00
Low	14.50	9.125	8.70	6.875
Volume	2,905,700	2,998,806	2,613,440	1,900

	4th quarter		4th quarter	
	2001 TSE – CDN $	**2001** NASDAQ – U.S. $	2000 TSE – CDN $	2000 NASDAQ – U.S. $
High	18.00	11.54	18.50	16.25
Low	14.52	9.46	9.45	6.50
Volume	560,400	1,330,866	5,595,362	807,600

Information Available Upon Request
Additional copies of the Annual Report
Quarterly reports
Annual Information Form
Information circular
Investor information
Press kit

Le rapport annuel d'Axcan Pharma inc. est aussi disponible en français.

Design: Spirale Communication Marketing Inc.

Corporate section: EuroArt silk, 100% chloride free

Financial section: Rolland Motif 30% Post Consumer Recycled Fiber

Twenty years of unwavering service to GASTROENTEROLOGY. These words indeed describe our Company. Through the efforts and resolve of our employees, we have built a strong Company. We have the means to now focus on the challenges of the new decade.

Beyond the commercial and financial success we enjoy, the words of patients whose lives have been improved through the use of Axcan products and services are thanks enough. They should inspire renewed efforts to excel in the future.

Léon F. Gosselin, President and Chief Executive Officer

AXCAN PHARMA

Management

Board of Directors

Léon F. Gosselin
Chairman, President and
Chief Executive Officer,
Axcan Pharma Inc.

Jacques Gauthier
Consultant and corporate administrator

Louis P. Lacasse
President, Genechem Venture Fund, l.p

Colin R. Mallet
Business Consultant

David W. Mims
Executive Vice President and
Chief Operating Officer, Axcan Pharma Inc.

Liza Page Nelson
Managing Director,
Investor Growth Capital, Inc.

François Painchaud
Partner, Léger, Robic, Richard g.p.,
Law firm and Robic, Patent and
trademark agents, Corporate Secretary

Dr. Claude Sauriol
Business Consultant

Jean Sauriol
President, RBI Plastiques Inc.

Michael M. Tarnow
Business Consultant

Officers of the Company

1. Léon F. Gosselin
President and Chief Executive Officer

2. David W. Mims
Executive Vice President and
Chief Operating Officer

3. John R. (Bob) Booth
President and General Manager,
Axcan Scandipharm Inc.

4. Norbert Claveille
President,
Laboratoires Entéris S.A.S.

5. Dr. Patrick Colin
Vice President,
Clinical Research

6. Martha Donze
Vice President,
Corporate Administration

7. Dr. France Guay
Vice President, Development and
Quality Control

8. Patrick L. McLean
Vice President, General Manager,
Canada and Europe

9. Dr. François Martin
Senior Vice President,
Scientific Affairs

10. Jocelyn Pelchat
Vice President,
Business Development

11. Jean Vézina
Vice President, Finance and
Chief Financial Officer

Additional Information

Stock Exchange Listings

Axcan Pharma Inc. is listed on the Toronto Stock Exchange under the symbol **AXP** and on the NASDAQ National Market under the symbol **AXCA**.

Number of Shares

At September 30, 2001, there were 38,412,133 Axcan common shares outstanding.

Transfer Agent and Registrar

Computershare Trust Company of Canada
1800 McGill College Avenue
Montreal, Quebec H3A 3K9
Tel: 1 (800) 332-0095

Annual Meeting

The Annual General Meeting of Axcan Pharma Inc. will be held at 11:00 a.m. on Thursday, February 21, 2002, at
Omni Hotel
1050 Sherbrooke West
Montreal, Quebec H3A 2R6

Additional Information may be obtained from:

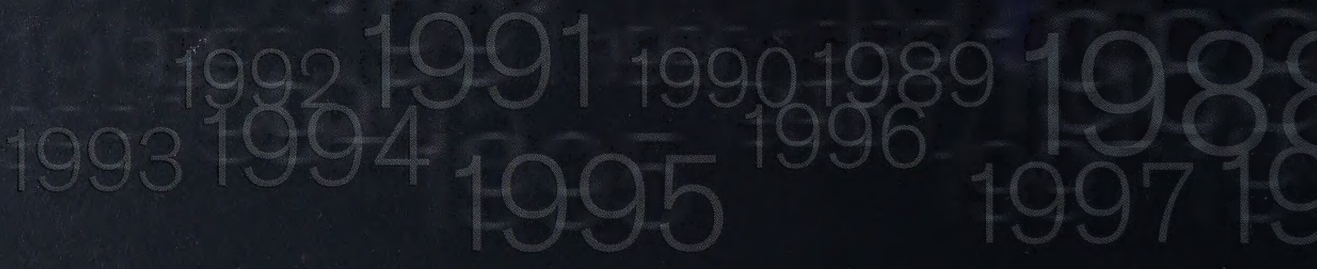
Axcan Pharma Inc.
Investor Relations
597 Laurier Blvd
Mont-Saint-Hilaire, Quebec
J3H 6C4
Telephone: (450) 467-5138 or 1 (800) 565-3255
Fax: (450) 464-9979
E-mail: iadjahi@axcan.com

Pour obtenir une version française du rapport annuel, veuillez communiquer avec le service des relations aux investisseurs.

Axcan files all mandatory information with Canadian securities commissions and the U.S. Securities and Exchange Commission. This information is available from the Company upon request.

Head Office

Axcan Pharma Inc.
597 Laurier Blvd
Mont-Saint-Hilaire, Quebec
J3H 6C4
Telephone: (450) 467-5138 or 1 (800) 565-3255
Fax: (450) 464-9979
www.axcan.com



AXCAN PHARMA

www.axcan.com